

**DEPARTMENT OF TAXATION
2025 Fiscal Impact Statement**

1. **Patron** Vivian E. Watts

3. **Committee** House Finance

4. **Title** Codification of tax preferences in effect pursuant to the appropriation act

2. **Bill Number** HB 2544

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would codify certain tax and fee provisions that are in effect under current law pursuant to provisions of the appropriation act. The provisions the bill would codify are (i) an annual vehicle registration fee increase of \$2 that is used for emergency medical services, (ii) a clarification of the amount of sales tax revenue pledged to public facility projects, (iii) a sales and use tax exemption for tangible personal property purchased by a federally funded research and development center, (iv) an additional \$20 recordation fee that is used for conservation purposes, and (v) a clarification that aviation fuel is not subject to the regional gas tax.

If enacted during the regular session of the 2025 General Assembly, this bill would become effective July 1, 2025.

6. Budget amendment necessary: No.

7. No Fiscal Impact (See Line 8.)

8. Fiscal implications:

Administrative Costs

The Department of Taxation considers implementation of this bill to be “routine” and does not require additional funding.

Revenue Impact

This bill would have no impact on state revenues.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Vehicle Registration Fee

The annual registration fees for motor vehicles, trailers, and semitrailers designed and used for the transportation of passengers on the highways in the Commonwealth are set forth at *Va. Code* § 46.2-694(A). Included among these fees is a fee for pickup and panel trucks and motor vehicles that is used primarily to fund emergency medical services. Until 2008, this fee was set at \$4. In 2008, House Bill 922 (Chapter 182, 2008 *Acts of Assembly*) increased the fee to \$4.25. The 2010 Appropriation Act further increased the fee to \$6.25.

By statute, all funds collected from \$4 of the fee is set aside as a special fund to be used only for emergency medical services purposes. The moneys in the fund are required by statute to be distributed as follows:

- 2% distributed to the State Department of Health to provide funding to the Virginia Association of Volunteer Rescue Squads to be used solely for the purpose of conducting volunteer recruitment, retention and training activities;
- 30% distributed to the State Health Department for specified purposes, including recruitment and retention programs, with any funds remaining undistributed at the end of the fiscal year reverting to the Rescue Squad Assistance Fund;
- 32% distributed to the Rescue Squad Assistance Fund;
- 10% available to the State Department of Health's Office of Emergency Medical Services; and
- 26% returned by the Comptroller to the locality wherein such vehicle is registered to provide funding for training of volunteer or salaried emergency medical services personnel of nonprofit emergency medical services agencies that hold a valid license issued by the Commissioner of Health and for the purchase of necessary equipment and supplies for use in such locality for emergency medical services provided by nonprofit or volunteer emergency medical services agencies that hold a valid license issued by the Commissioner of Health.

Item 272 A of the 2024 Appropriation Act specifies that the portion of the 30% distribution specified under statute as being used for recruitment and retention shall only be made to nonprofit emergency medical services organizations. This budget item also requires the Virginia Department of Health to develop and implement a plan to ensure timely quarterly distributions of \$4.25 for Life funding to the Virginia Association of Rescue Squads. This bill would not codify either of these provisions.

Under statute, the remaining \$0.25 fee is deposited into the Rescue Squad Assistance Fund and used only to pay for the costs associated with the certification and recertification training of emergency medical services personnel.

Item 272 B of the 2024 Appropriation Act appropriates specified amounts from the Virginia Rescue Squad Assistance Fund and the special emergency medical services fund to the Department of State Police for aviation (med-flight) operations.

Clarification of Sales Tax Entitlement

Va. Code § 58.1-608.3 (formerly the Public Facilities Act) allows sales tax revenue attributable to sales in new or substantially and significantly renovated or expanded public facilities to be transferred back to municipalities to pay the costs of the bonds issued to finance such facilities.

Qualifying public facilities include auditoriums, coliseums, convention centers, conference centers, and certain hotels and sports facilities located in the Cities of Chesapeake, Fredericksburg, Hampton, Lynchburg, Newport News, Norfolk, Portsmouth, Richmond, Roanoke, Salem, Staunton, Suffolk, Virginia Beach, and Winchester and the town of Wise. Certain public facilities in the City of Bristol also qualify.

Any municipality which has issued bonds (i) after December 31, 1991, but before January 1, 1996, (ii) on or after January 1, 1998, but before July 1, 1999, (iii) on or after January 1, 1999, but before July 1, 2001, (iv) on or after July 1, 2000, but before July 1, 2003, (v) on or after July 1, 2001, but before July 1, 2005, (vi) on or after July 1, 2004, but before July 1, 2007, (vii) on or after July 1, 2009, but before July 1, 2012, (viii) on or after January 1, 2011, but prior to July 1, 2015, or (ix) on or after January 1, 2013, but prior to July 1, 2024, to pay the cost, or portion thereof, of any public facility shall be entitled to all sales tax revenues generated by transactions taking place in such public facility.

The current statute defines “sales tax revenues” as tax collections realized under the Virginia Retail Sales and Use Tax Act, excluding the revenue generated by (i) the 0.5 percent sales and use tax increase enacted by the 1986 Special Session of the General Assembly which shall be paid to the Commonwealth Transportation Fund established pursuant to § 33.2-1524, (ii) the 1.0 percent of the state sales and use tax revenue distributed among the counties and cities of the Commonwealth pursuant to subsection D of § 58.1-638 on the basis of school age population, or (iii) any sales and use tax revenues generated by increases or allocation changes imposed by the 2013 Session of the General Assembly.

Pursuant to Item 3-5.24 of the 2024 Appropriation Act, “sales tax revenues” for purposes of this entitlement means the revenue generated by the 2.025 percent unrestricted sale and use tax under the Virginia Retail Sales and Use Tax Act (*Va. Code* § 58.1-600 et seq.).

Research and Development Sales Tax Exemption

Current law allows an exemption from the Retail Sales and Use Tax for tangible personal property purchased for use or consumption directly and exclusively in basic research or research and development in the experimental or laboratory sense. The 2016 Appropriation Act expanded this exemption, effective July 1, 2016, to apply to such property used in a federally funded research and development center, regardless of whether such property is used by the purchaser, lessee, or another person or entity. The 2018 Appropriation Act imposed a July 1, 2018 sunset date on this provision and created a new provision authorizing a Retail Sales and Use Tax exemption for tangible personal

property purchased by a federally funded research and development center sponsored by the U.S. Department of Energy.

Recordation Fee

The 2002 Appropriation Act created a new \$10 fee on every deed admitted to record on or after July 1, 2002. The fee was in addition to the state recordation tax and revenue from the fee was deposited into the General Fund. In 2010, the fee was increased through the Appropriation Act to the current amount of \$20, applicable to every deed for which the state recordation tax is collected pursuant to *Va. Code* §§ 58.1-801 and 58.1-803 and every certificate of satisfaction. Fifty percent of the fee was deposited to the General Fund and fifty percent was deposited to the Virginia Natural Resources Commitment Fund, a subfund of the Virginia Water Quality Improvement Fund. The funds deposited to this subfund were to be disbursed for the agricultural best management practices cost share program.

Regional Motor Vehicle Fuel Sales Tax Exemption for Aviation Fuel

Since 1980, the General Assembly has levied a regional Motor Vehicle Fuel Sales Tax on the retail price of all motor fuel sold in the relevant localities. Originally, the tax was imposed on localities within the Northern Virginia Transportation District. The tax was amended several times and expanded to include the Hampton Roads region and Interstate 81 Corridor. In 2020, the tax was expanded to include all Virginia localities.

The regional tax is imposed in addition to the general Motor Vehicle Fuels Tax set forth in the Virginia Fuels Tax Act (58.1-2200 et seq.). A reduced tax rate of five cents per gallon is generally imposed on aviation fuel purchased or acquired for use by a user of aviation fuel other than an aviation consumer. Since 2012, the Appropriation Act has exempted aviation fuel from the regional Motor Vehicle Fuel Sales Tax.

For purposes of both the Motor Vehicle Fuels Tax and the exemption from the regional tax, "aviation fuel" is defined as aviation gasoline or aviation jet fuel. "Aviation gasoline" means fuel designed for use in the operation of aircraft other than jet aircraft, and sold or used for that purpose. "Aviation jet fuel" means fuel designed for use in the operation of jet or turbo-prop aircraft, and sold or used for that purpose.

Proposal

This bill would codify certain tax and fee provisions that are in effect under current law pursuant to provisions of the appropriation act. The provisions the bill would codify are:

- Item 3-6.02: The annual vehicle registration fee for pickup and panel trucks and certain motor vehicles would increase from \$4.25 to \$6.25 and revenue from \$6 of the \$6.25 fee would be used for emergency medical services,
- Item 3-5.24: Clarification of the amount of sales tax revenue pledged to public facility projects by amending the definition of "sales tax revenues" to mean, "revenue generated by the 2.025 percent unrestricted sales and use tax under the Virginia Retail Sales and Use Tax Act."

- Item 3-5.11 (B): A sales and use tax exemption for tangible personal property purchased by a federally funded research and development center sponsored by the U.S. Department of Energy, beginning July 1, 2018.
- Item 3-6.01: An additional \$20 recordation fee levied on deeds generally, deeds of trust or mortgages, and certificates of satisfaction, the revenue from which is used for conservation purposes.
- Item 3-5.09: A clarification that aviation fuel is not subject to the regional gas tax.

If enacted during the regular session of the 2025 General Assembly, this bill would become effective July 1, 2025.

cc : Secretary of Finance

Date: 01/19/2025 VB
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