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HOUSE BILL NO. 1205

Offered January 14, 2026

Prefiled January 14, 2026

A BILL to amend and reenact §§ 38.2-517, 46.2-770, 46.2-771, 46.2-772, and 58.1-3524 of the Code of Virginia, relating to motor vehicles; insurance, highway use fee, and tangible personal property tax relief; application to certain vehicles.

Patron—Oates

Committee Referral Pending

Be it enacted by the General Assembly of Virginia:

1. That §§ 38.2-517, 46.2-770, 46.2-771, 46.2-772, and 58.1-3524 of the Code of Virginia are amended and reenacted as follows:

§ 38.2-517. Unfair settlement practices; replacement and repair; penalty.

A. No person shall:

1. Require an insured or claimant to utilize designated replacement or repair facilities or services, or the products of designated manufacturers, as a prerequisite to settling or paying any claim arising under a policy or policies of insurance;

2. Engage in any act of coercion or intimidation causing or intended to cause an insured or claimant to utilize designated replacement or repair facilities or services, or the products of designated manufacturers, in connection with settling or paying any claim arising under a policy or policies of insurance;

3. Fail to disclose to the insured or claimant, prior to being referred to a third party representative in connection with a glass claim arising under a motor vehicle insurance policy, that the third party representative is not the insurer and is acting on behalf of the insurer;

4. Fail to disclose to the insured or claimant, at such time as the insurer or its third party representative recommends the use of a designated motor vehicle replacement or repair facility or service, or products of a designated manufacturer, in connection with settling or paying any claim arising under a policy or policies of insurance, that the insured or claimant is under no obligation to use the replacement or repair facility or service or products of the manufacturer recommended by the insurer or by a representative of the insurer;

5. Fail to disclose to the insured or claimant, at such time as it or its third party representative recommends the use of a designated motor vehicle replacement or repair facility in connection with settling or paying any claim arising under a policy or policies of insurance, that the insurer or its third party representative has a financial interest in such replacement or repair facility, if the insurer or its third party representative has such an interest; or

6. Engage in the practice of capping. As used in this subdivision, "capping" means the setting of arbitrary and unreasonable limits on what an insurer will allow as reimbursement for paint and materials.

B. This section shall not be construed to (i) require an insurer to pay an amount for motor vehicle repair services or repair products necessary to properly and fairly repair the vehicle to its pre-loss condition that is greater than the prevailing competitive charges for equivalent services or products charged by similar contractors or repair shops within a reasonable geographic or trade area of the address of the repair facility or (ii) prohibit the establishment of a repair facility network. Offering an explanation of the extent of an insurer's obligation under this section to its policyholder or third party claimant shall not constitute a violation of this section.

C. Any person violating this section shall be subject to the injunctive, penalty, and enforcement provisions of Chapter 2 (§ 38.2-200 et seq.) of this title. The Commission shall investigate, with the written authorization of the insured or the claimant, any written complaints received pursuant to this section, regardless of whether such written complaints are submitted by an individual or a repair facility. For the purpose of this section, any insurance company utilizing a third party representative shall be held accountable for any violation of this section by such third party representative.

§ 46.2-770. (For contingent expiration, see Acts 2020, cc. 1230 and 1275) Definitions.

As used in this chapter, unless the context requires a different meaning:

"Alternative fuel vehicle" means a vehicle equipped to be powered by a combustible gas, liquid, or other source of energy that can be used to generate power to operate a highway vehicle and that is neither a motor fuel nor electricity used to recharge an electric motor vehicle or a hybrid electric motor vehicle.

"Electric motor vehicle" means a vehicle that uses electricity as its only source of motive power.

~~"Fuel-efficient vehicle" means a vehicle that has a combined fuel economy of 25 miles per gallon or greater.~~

§ 46.2-771. (For contingent expiration, see Acts 2020, cc. 1230 and 1275) Purpose.

INTRODUCED

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The purpose of this chapter is to ensure more equitable contributions to the Commonwealth Transportation Fund from alternative fuel vehicles; *and* electric motor vehicles; ~~and fuel-efficient vehicles~~ using highways in the Commonwealth.

§ 46.2-772. (For contingent expiration, see Acts 2020, cc. 1230 and 1275) Highway use fee.

A. Except as provided in subsection C, there is hereby imposed an annual highway use fee on any motor vehicle registered in the Commonwealth under § 46.2-694 or 46.2-697 that is an alternative fuel vehicle, *or* an electric motor vehicle; ~~or a fuel-efficient vehicle~~. The fee shall be collected by the Department at the time of vehicle registration. If the vehicle is registered for a period of other than one year as provided in § 46.2-646, the highway use fee shall be multiplied by the number of years or fraction thereof that the vehicle will be registered.

B. 1. For an electric motor vehicle, the highway use fee shall be 85 percent of the amount of taxes paid under subsection A of § 58.1-2217 on fuel used by a vehicle with a combined fuel economy of 23.7 miles per gallon for the average number of miles traveled by a passenger vehicle in the Commonwealth, as determined by the Commissioner. For ~~all other fuel-efficient vehicles~~ *an alternative fuel vehicle*, the highway use fee shall be 85 percent of the difference between the tax paid under subsection A of § 58.1-2217 on the fuel used by a vehicle with a combined fuel economy of 23.7 miles per gallon for the average number of miles traveled by a passenger vehicle in the Commonwealth in a year, as determined by the Commissioner, and the tax paid under subsection A of § 58.1-2217 on the fuel used by the vehicle being registered for the average number of miles traveled by a passenger vehicle in the Commonwealth in a year, as determined by the Commissioner.

For purposes of this chapter, the Commissioner shall use combined fuel economy as determined by the manufacturer of the vehicle. If the Commissioner is unable to obtain the manufacturer's fuel economy for a vehicle, then the Commissioner shall use the final estimate of average fuel economy, as determined by the U.S. Environmental Protection Agency, of (i) all trucks having the same model year as the vehicle being registered, if the vehicle has a gross weight between 6,000 pounds and 10,000 pounds, or (ii) all cars having the same model year as the vehicle. If data is not available for the model year of the vehicle being registered, then the Commissioner shall use available data for the model year that is closest to the model year of the vehicle being registered.

The Commissioner shall update the fees calculated under this section by July 1 of each year.

2. The Department shall establish and administer a process whereby a vehicle owner may contest the fee assessed pursuant to this section. The Department shall reimburse the vehicle owner for any contested fee or portion thereof incorrectly collected pursuant to this section.

C. This section shall not apply to:

1. An autocycle, moped, or motorcycle;
2. A vehicle with a gross weight over 10,000 pounds;
3. A vehicle that is owned by a governmental entity as defined in § 58.1-2201; or
4. A vehicle that is registered under the International Registration Plan.

Notwithstanding the provisions of this section, the annual highway use fee for a low-speed vehicle that is registered under Chapter 6 (§ 46.2-600 et seq.) shall be \$25.

A vehicle shall not be subject to the fee set forth in this section in any year in which such vehicle is registered to participate in the mileage-based user fee program established pursuant to § 46.2-773.

D. In any case where an applicant has requested and is eligible for a refund pursuant to § 46.2-688, the Commissioner shall refund to the applicant the cost of the highway use fee, prorated in six-month increments, if such application is made when six or more months remain in the registration period.

§ 58.1-3524. Tangible personal property tax relief; local tax rates on vehicles qualifying for tangible personal property tax relief.

A. For tax year 2006 and all tax years thereafter, counties, cities, and towns shall be reimbursed by the Commonwealth for providing the required tangible personal property tax relief as set forth herein.

B. For tax year 2006 and all tax years thereafter, the Commonwealth shall pay a total of \$950 million for each such tax year in reimbursements to localities for providing the required tangible personal property tax relief on qualifying vehicles in subsection C. No other amount shall be paid to counties, cities, and towns for providing tangible personal property tax relief on qualifying vehicles. Each county's, city's, or town's share of the \$950 million for each such tax year shall be determined pro rata based upon the actual payments to such county, city, or town pursuant to this chapter for tax year 2005 as compared to the actual payments to all counties, cities, and towns pursuant to this chapter for tax year 2005, as certified in writing by the Auditor of Public Accounts no later than March 1, 2006, to the Governor and to the chairmen of the Senate Committee on Finance and Appropriations and the House Committee on Appropriations. The amount reimbursed to a particular county, city, or town for tax year 2006 for providing tangible personal property tax relief shall be the same amount reimbursed to such county, city, or town for each subsequent tax year.

The reimbursement to each county, city, or town for tax year 2006 shall be paid by the Commonwealth over the 12-month period beginning with the month of July 2006 and ending with the month of June 2007, as provided in the general appropriation act. For all tax years subsequent to tax year 2006, reimbursements shall be paid over the same 12-month period. All reimbursement payments shall be made by check issued by the

State Treasurer to the respective treasurer of the county, city, or town on warrant of the Comptroller.

C. For tax year 2006 and all tax years thereafter, each county, city, or town that will receive a reimbursement from the Commonwealth pursuant to subsection B shall provide tangible personal property tax relief on qualifying vehicles by reducing its local tax rate on qualifying vehicles as follows:

1. The local governing body of each county, city, or town shall fix or establish its tangible personal property tax rate for its general class of tangible personal property, which rate shall also be applied to that portion of the value of each qualifying vehicle that is in excess of \$20,000.

2. After fixing or establishing its tangible personal property tax rate for its general class of tangible personal property, the local governing body of the county, city, or town shall fix or establish one or more reduced tax rates (lower than the rate applied to the general class of tangible personal property) that shall be applied solely to that portion of the value of each qualifying vehicle that is not in excess of \$20,000. No other tangible personal property tax rate shall be applied to that portion of the value of each qualifying vehicle that is not in excess of \$20,000. Such reduced tax rate or rates shall be set at an effective tax rate or rates such that (i) the revenue to be received from such reduced tax rate or rates on that portion of the value of qualifying vehicles not in excess of \$20,000 plus (ii) the revenue to be received on that portion of the value of qualifying vehicles in excess of \$20,000 plus (iii) the Commonwealth's reimbursement is approximately equal to the total revenue that would have been received by the county, city, or town from its tangible personal property tax had the tax rate for its general class of tangible personal property been applied to 100 percent of the value of all qualifying vehicles.

3. Notwithstanding the provisions of subdivisions 1 and 2, beginning with tax year 2016, each county, city, and town that receives reimbursement shall ensure that the reimbursement pays for all of the tax attributable to the first \$20,000 of value on each qualifying vehicle leased by an active duty member of the United States military, his spouse, or both, pursuant to a contract requiring him, his spouse, or both to pay the tangible personal property tax on such vehicle. The provisions of this subdivision apply only to a vehicle that would not be taxed in Virginia if the vehicle were owned by such military member, his spouse, or both.

4. *Notwithstanding the provisions of subdivisions 1 and 2, beginning with tax year 2027, each county, city, and town that receives reimbursement shall, after first complying with the provisions of subdivision 3, ensure that:*

a. No qualifying vehicle owned by an individual who has an annual household income in excess of \$200,000 and is not subject to the provisions of subdivision 3 receives reimbursement for any tax attributable to any portion of the value of such vehicle.

b. The remainder of the reimbursement provided to such locality pursuant to this section is disbursed based on a sliding scale, adopted by an ordinance of the local governing body, after consideration of the household incomes of the residents of such locality. Such sliding scale shall be based on such household incomes and shall create at least four household income brackets under \$200,000, whereby individuals within lower household income brackets receive a higher portion of tangible personal property tax relief with respect to the value of such individuals' qualifying vehicle. Such brackets shall set both upper and lower limits of household income and shall encompass all incomes under \$200,000.

D. On or before the date the certified personal property tax book is required by § 58.1-3118 to be provided to the treasurer, the commissioner of the revenue shall identify each qualifying vehicle and its value to the treasurer of the locality.

E. The provisions of this section are mandatory for any county, city, or town that will receive a reimbursement pursuant to subsection B.