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1 **HOUSE BILL NO. 1281**

2 Offered January 14, 2026

3 *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*
4 *Virginia, relating to motor vehicles; insurance, highway use fee, and tangible personal property tax*
5 *relief; application to certain vehicles.*

6 Patron—Oates

7 Committee Referral Pending

8 **Be it enacted by the General Assembly of Virginia:**9 **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**
10 **and reenacted as follows:**11 **§ 38.2-517. Unfair settlement practices; replacement and repair; penalty.**

12 A. No person shall:

13 1. Require an insured or claimant to utilize designated replacement or repair facilities or services, or the
14 products of designated manufacturers, as a prerequisite to settling or paying any claim arising under a policy
15 or policies of insurance;16 2. Engage in any act of coercion or intimidation causing or intended to cause an insured or claimant to
17 utilize designated replacement or repair facilities or services, or the products of designated manufacturers, in
18 connection with settling or paying any claim arising under a policy or policies of insurance;19 3. Fail to disclose to the insured or claimant, prior to being referred to a third party representative in
20 connection with a glass claim arising under a motor vehicle insurance policy, that the third party
21 representative is not the insurer and is acting on behalf of the insurer;22 4. Fail to disclose to the insured or claimant, at such time as the insurer or its third party representative
23 recommends the use of a designated motor vehicle replacement or repair facility or service, or products of a
24 designated manufacturer, in connection with settling or paying any claim arising under a policy or policies of
25 insurance, that the insured or claimant is under no obligation to use the replacement or repair facility or
26 service or products of the manufacturer recommended by the insurer or by a representative of the insurer;27 5. Fail to disclose to the insured or claimant, at such time as it or its third party representative
28 recommends the use of a designated motor vehicle replacement or repair facility in connection with settling
29 or paying any claim arising under a policy or policies of insurance, that the insurer or its third party
30 representative has a financial interest in such replacement or repair facility, if the insurer or its third party
31 representative has such an interest; or32 6. Engage in the practice of capping. As used in this subdivision, "capping" means the setting of arbitrary
33 and unreasonable limits on what an insurer will allow as reimbursement for paint and materials.34 B. This section shall not be construed to (i) require an insurer to pay an amount for motor vehicle repair
35 services or repair products necessary to properly and fairly repair the vehicle to its pre-loss condition that is
36 greater than the prevailing competitive charges for equivalent services or products charged by similar
37 contractors or repair shops within a reasonable geographic or trade area of the address of the repair facility or
38 (ii) prohibit the establishment of a repair facility network. Offering an explanation of the extent of an
39 insurer's obligation under this section to its policyholder or third party claimant shall not constitute a violation
40 of this section.41 C. Any person violating this section shall be subject to the injunctive, penalty, and enforcement provisions
42 of Chapter 2 (§ 38.2-200 et seq.) of this title. The Commission shall investigate, with the written
43 authorization of the insured or the claimant, any written complaints received pursuant to this section,
44 regardless of whether such written complaints are submitted by an individual or a repair facility. For the
45 purpose of this section, any insurance company utilizing a third party representative shall be held accountable
46 for any violation of this section by such third party representative.47 **§ 46.2-770. (For contingent expiration, see Acts 2020, cc. 1230 and 1275) Definitions.**

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

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

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

53 "Fuel efficient vehicle" means a vehicle that has a combined fuel economy of 25 miles per gallon or
54 greater.55 **§ 46.2-771. (For contingent expiration, see Acts 2020, cc. 1230 and 1275) Purpose.**

56 The purpose of this chapter is to ensure more equitable contributions to the Commonwealth

INTRODUCED

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59 Transportation Fund from alternative fuel vehicles; *and* electric motor vehicles; *and fuel-efficient vehicles*
60 using highways in the Commonwealth.

61 **§ 46.2-772. (For contingent expiration, see Acts 2020, cc. 1230 and 1275) Highway use fee.**

62 A. Except as provided in subsection C, there is hereby imposed an annual highway use fee on any motor
63 vehicle registered in the Commonwealth under § 46.2-694 or 46.2-697 that is an alternative fuel vehicle; *or*
64 an electric motor vehicle; *or a fuel-efficient vehicle*. The fee shall be collected by the Department at the time
65 of vehicle registration. If the vehicle is registered for a period of other than one year as provided in
66 § 46.2-646, the highway use fee shall be multiplied by the number of years or fraction thereof that the vehicle
67 will be registered.

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

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

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

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

89 C. This section shall not apply to:

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

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

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

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