

DEPARTMENT OF TAXATION

2026 Fiscal Impact Statement

1. **Patron** Tara A. Durant

3. **Committee** Senate Finance and Appropriations

4. **Title** Tangible personal property tax relief; Rate of taxation

2. **Bill Number** SB 799

House of Origin:

Introduced
 Substitute
 Engrossed

Second House:

In Committee
 Substitute
 Enrolled

5. Summary/Purpose:

This bill would require that, beginning tax year 2027, any county, city, or town that levies a tangible personal property tax and receives reimbursement under the Personal Property Tax Relief Act (PPTRA) for qualifying vehicles reduce its local tax rate on qualifying vehicles to no greater than \$0.00000001 per \$100 of the eligible assessed value of the qualifying vehicles.

The bill would also require that, beginning tax year 2027, localities receiving reimbursement ensure that the reimbursement covers all personal property tax attributable to any qualifying vehicle leased by an active duty member of the United States military, the member's spouse, or both, when the lease contract requires them to pay the tax.

Additionally, this bill would provide that, beginning tax year 2027, the Commonwealth is required to fund personal property tax relief by paying \$950 million plus the amount that is necessary to fully cover the cost of the tax relief that localities must provide by reducing their tax rate on qualifying vehicles to no greater than \$0.00000001 per \$100 of assessed value. The Tax Commissioner must certify the total reimbursement amount each year, and the General Assembly must appropriate a sum sufficient to fully fund that certified amount.

Under current law, counties, cities and towns levy a tangible personal property tax on vehicles based on assessed value. The PPTRA requires that localities provide tax relief for qualifying vehicles by reducing their local tax rate on the first \$20,000 of assessed value. Localities are then reimbursed, up to a combined total of \$950 million annually, by the Commonwealth in exchange for providing required tangible personal property tax relief on qualifying vehicles.

If enacted during the regular session of the 2026 General Assembly, this bill would become effective July 1, 2026.

6. Budget amendment necessary: No.

7. Fiscal Impact Estimates are: Not available. (See Line 8.)

8. Fiscal implications:

Administrative Costs

This bill would have an unknown impact on local administrative costs. The bill would have no impact on state administrative costs.

Revenue Impact

This bill would have an unknown negative impact on local revenues due to the required reduced tax rate on qualifying vehicles beginning tax year 2027. This bill would have no impact on state revenues.

9. Specific agency or political subdivisions affected:

All localities

10. Technical amendment necessary: No.

11. Other comments:

Personal Property Tax Relief Act ("PPTRA") of 1998

The PPTRA originally was intended to eliminate the tangible personal property tax imposed on the first \$20,000 of value on passenger cars, pickup or panel trucks, and motorcycles owned or leased by natural persons and used for nonbusiness purposes.

The tax was originally scheduled to be eliminated over five years with 12.5% of the tax eliminated in 1998, 27.5% in 1999, 47.5% in 2000, 70% in 2001, and 100% in 2002 and thereafter. The tax on vehicles valued at \$1,000 or less was completely eliminated in 1998. The amount of the tax relief was shown on the taxpayer's bill and the Commonwealth reimbursed localities for the amount of the tax relief.

Senate Bill 5005 (Chapter 1, 2004 Special Session I) changed the personal property tax relief program for motor vehicles. The state currently distributes \$950 million annually to localities as reimbursement for the personal property tax relief provided by each locality. Each locality's share of the \$950 million state reimbursement for tax year 2006 and subsequent tax years is based upon its share of the total state reimbursement for tax year 2004.

Tangible Personal Property Tax Relief on Qualifying Automobiles

Under the current provisions of personal property tax relief, each locality is permitted to 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. 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 is required to fix or establish one or more reduced tax rates (lower than the rate applied to the general class of tangible personal property) that would be applied solely to that portion of the value of each qualifying vehicle that is not in excess of \$20,000. Additionally, 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.

Military and Leased Vehicles

The Servicemembers Civil Relief Act provides that the personal property owned by a nonresident service member may not be taxed by a jurisdiction where the service member is residing only because of military orders. In 2009, the Military Spouses Residency Relief Act amended the Servicemembers Civil Relief Act to extend the protection to property owned by spouses of service members that are present in the state solely to be with the service member in compliance with the service member's military orders and have the same residence or domicile as the service member.

On November 16, 2009, the Attorney General issued an advisory opinion (Op. No. 09 077, Nov. 16, 2009) stating that military service members and spouses are not considered the owners of a leased motor vehicle and that the lessor is liable for the personal property tax thereon. As such, motor vehicles leased by a military service member or spouse would not be entitled to relief under the federal law. In making his determination, the Attorney General stated that Va. Code § 46.2-100 provides that the lessor of a motor vehicle is deemed to be the owner of a leased motor vehicle and is therefore liable for the payment of the personal property tax.

Proposal

This bill would require that, beginning tax year 2027, each county, city, or town that levies a tangible personal property tax and receives reimbursement under the Personal Property Tax Relief Act (PPTRA) for qualifying vehicles reduce its local tax rate on qualifying vehicles to no greater than \$0.00000001 per \$100 of the eligible assessed value of the qualifying vehicle.

The bill would also require that, beginning tax year 2027, localities receiving reimbursement ensure that the reimbursement covers all personal property tax attributable to any qualifying vehicle leased by an active duty member of the United States military, the member's spouse, or both, when the lease contract requires them to pay the tax.

Additionally, the bill would provide that, beginning tax year 2027, the Commonwealth is required to fund personal property tax relief by paying \$950 million plus the amount that is necessary to fully cover the cost of the new ultra-low tax rate on qualifying vehicles. The Tax Commissioner must certify the total reimbursement amount each year, and the General Assembly must appropriate a sum sufficient to fully fund that certified amount.

If enacted during the regular session of the 2026 General Assembly, this bill would become effective July 1, 2026.

Similar Legislation

House Bill 566 would require that, beginning tax year 2027, any locality that levies a tangible personal property tax and receives reimbursement under the PPTRA apply its regular tangible personal property tax rate: (i) to the portion of a qualifying vehicle's assessed value that exceeds \$5,000; and (ii) no greater than \$0.000001 per \$100 to the first \$5,000 of the vehicle's assessed value.

cc : Secretary of Finance

Date: 01/29/2026 KS
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