

**DEPARTMENT OF TAXATION
2026 Fiscal Impact Statement**

1. **Patron** Kathy K.L. Tran

2. **Bill Number** HB 1008

3. **Committee** House Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. **Title** Retail sales and use tax; credit for taxes paid
in another state

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would broaden the retail sales and use tax credit for Virginia residents who purchase an electric vehicle in another state. The credit is equal to any credit or exemption the taxpayer received from that other state within the past 12 months.

Under current law, a credit is granted for sales and use tax actually paid to another state on tangible personal property later used in the Commonwealth.

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 no impact on the Department's administrative costs.

Revenue Impact

This bill would have an unknown negative revenue impact beginning in Fiscal Year 2027 and thereafter, provided the technical amendment on Line 10 is made.

If the technical amendment on Line 10 is not made, this bill would have no impact because vehicles are already generally exempt from the Retail Sales and Use Tax.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: Yes.

The intent of the Patron appears to be to modify the credit applied against the Virginia Motor Vehicle Sales and Use Tax. To achieve this, the bill should reference § 58.1-2424 of the *Code of Virginia*.

As currently drafted, the credit applies to the Virginia Retail Sales and Use Tax. However, motor vehicle purchases are already exempt from that tax, so the proposed language would not have the intended effect.

11. Other comments:

Background

The Retail Sales and Use Tax is imposed upon the charge for the sale or use of tangible personal property, unless an exemption applies. Virginia law defines “tangible personal property” as personal property that may be seen, weighed, measured, felt, or touched, or is in any other manner perceptible to the senses. In general, any retail merchant is allowed to purchase items that it intends to resell to its customers exempt from the tax because it will collect the tax from its customers at the time of sale.

Virginia Code § 58.1-611 provides credit against the retail sales and use tax for tangible personal property purchased in another state when the taxpayer has already paid a legally imposed sales or use tax to that state. The credit is limited to the amount of tax actually paid to the other state and cannot exceed the Virginia tax that would otherwise apply to the property. If no tax was paid in the state of purchase—such as when the other state granted an exemption or incentive, current law does not allow any credit.

Proposal

This bill would broaden the retail sales and use tax credit for Virginia residents who purchase an electric vehicle in another state. The credit is equal to any credit or exemption the taxpayer received from that other state within the past 12 months.

“Electric vehicle” means a motor vehicle that derives all of the vehicle's power from electricity stored in a battery that (a) has a capacity of not less than 25 kilowatt-hours; (b) is capable of powering the vehicle for a range of at least 100 miles; and (c) is capable of being recharged from an external source of electricity.

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

cc : Secretary of Finance

Date: 02/09/2026 KS
HB1008F161