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HOUSE BILL NO. 566  
AMENDMENT IN THE NATURE OF A SUBSTITUTE  
(Proposed by the House Committee on Finance  
on \_\_\_\_\_)  
(Patron Prior to Substitute—Delegate McNamara)

*A BILL to amend and reenact § 58.1-3524 of the Code of Virginia and to amend the Code of Virginia by adding a section numbered 58.1-3524.1, relating to enhanced tangible personal property tax relief.*

**Be it enacted by the General Assembly of Virginia:**

**1. That § 58.1-3524 of the Code of Virginia is amended and reenacted and that the Code of Virginia is amended by adding a section numbered 58.1-3524.1 as follows:**

**§ 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~~ *Chairs* 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

32 reimbursement from the Commonwealth pursuant to subsection B shall provide tangible personal property  
33 tax relief on qualifying vehicles by reducing its local tax rate on qualifying vehicles as follows:

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

37 2. After fixing or establishing its tangible personal property tax rate for its general class of tangible  
38 personal property, the local governing body of the county, city, or town shall fix or establish one or more  
39 reduced tax rates (lower than the rate applied to the general class of tangible personal property) that shall be  
40 applied solely to that portion of the value of each qualifying vehicle that is not in excess of \$20,000.  
41 *Beginning in tax year 2026, such reduced rate shall apply to that portion of the value of each qualifying*  
42 *vehicle that is greater than the eligible assessed value applicable to such county, city, or town pursuant to*  
43 *§ 58.1-3524.1, but that is not in excess of \$20,000.* No other tangible personal property tax rate shall be  
44 applied to that portion of the value of each qualifying vehicle that is not in excess of \$20,000. Such reduced  
45 tax rate or rates shall be set at an effective tax rate or rates such that (i) the revenue to be received from such  
46 reduced tax rate or rates on that portion of the value of qualifying vehicles not in excess of \$20,000 plus (ii)  
47 the revenue to be received on that portion of the value of qualifying vehicles in excess of \$20,000 plus (iii)  
48 the Commonwealth's reimbursement is approximately equal to the total revenue that would have been  
49 received by the county, city, or town from its tangible personal property tax had the tax rate for its general  
50 class of tangible personal property been applied to 100 percent of the value of all qualifying vehicles.

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

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

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

62 *F. For tax year 2027 and all tax years thereafter, each county, city, and town that receives reimbursement*  
63 *pursuant to this section shall ensure that it is providing the enhanced tangible personal property tax relief*  
64 *pursuant to § 58.1-3524.1 before providing the required tangible personal property tax relief pursuant to this*  
65 *section.*

66 **§ 58.1-3524.1. Enhanced tangible personal property tax relief.**

67 *A. For tax year 2027 and all tax years thereafter, each county, city, and town that receives reimbursement*  
68 *pursuant to § 58.1-3524 shall ensure it is providing the enhanced tangible personal property tax relief*  
69 *pursuant to this section before providing the required tangible personal property tax relief pursuant to §*  
70 *58.1-3524.*

71 *B. For tax year 2027 and all tax years thereafter, the Commonwealth shall provide, in addition to the*  
72 *reimbursement provided by § 58.1-3524, a total reimbursement to localities for providing the required*  
73 *tangible personal property tax relief on the first \$5,000 of assessed value of qualifying vehicles as provided*  
74 *in subsection C. The reimbursement to each county, city, or town for tax year 2027 shall be paid by the*  
75 *Commonwealth over the 12-month period beginning with the month of July 2027 and ending with the month*  
76 *of June 2028, as provided in the general appropriation act. For all tax years subsequent to tax year 2027,*  
77 *reimbursements shall be paid over the same 12-month period. All reimbursement payments shall be made by*  
78 *check issued by the State Treasurer to the respective treasurer of the county, city, or town on warrant of the*  
79 *Comptroller.*

80 *C. For tax year 2027 and all tax years thereafter, each county, city, or town that will receive a*  
81 *reimbursement from the Commonwealth pursuant to subsection B shall provide tangible personal property*  
82 *tax relief on qualifying vehicles by reducing its local tax rate on qualifying vehicles as follows:*

83 *1. The local governing body of each county, city, or town shall fix or establish its tangible personal*  
84 *property tax rate for its general class of tangible personal property, which rate shall also be applied to that*  
85 *portion of the value of each qualifying vehicle that is in excess of the eligible assessed value.*

86 *2. The local governing body of the county, city, or town shall apply a tax rate no greater than \$0.000001*  
87 *per \$100 of the eligible assessed value of each qualifying vehicle. For tax year 2028 and all tax years*  
88 *thereafter, for any year in which the revenues of a county, city, or town grow by five percent or more, the*  
89 *eligible assessed value applied in such county, city, or town shall increase by an additional \$5,000 until such*  
90 *time that the eligible assessed value equals \$20,000.*

91 *For purposes of this subsection, "eligible assessed value" means \$5,000 of the assessed value of a*  
92 *qualifying vehicle.*

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

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