

**REPORT OF THE
PERSONAL PROPERTY PRO-RATION SUBCOMMITTEE
OF THE
HOUSE FINANCE COMMITTEE
TO
THE GOVERNOR
AND
THE GENERAL ASSEMBLY OF VIRGINIA**



HOUSE DOCUMENT NO. 19

**COMMONWEALTH OF VIRGINIA
DEPARTMENT OF PURCHASES AND SUPPLY
RICHMOND**

1978

MEMBERS OF SUBCOMMITTEE

C. RICHARD CRANWELL, CHAIRMAN
FREDERICK H. CREEKMORE
JOSEPH A. LEAFE
WARREN G. STAMBAUGH

STAFF

**JOHN A. BANKS, JR., DIRECTOR
DIVISION OF LEGISLATIVE SERVICES**

E. M. Miller, Jr., Staff Attorney
John A. Garka, Economist
Jill M. Pope, Legislative Research Associate
William L. Higgs, Student Research Associate

**Report of the
Personal Property Pro-Ration Subcommittee**

**of the
House Finance Committee**

**To
The Governor and the General Assembly of Virginia**

Richmond, Virginia

January, 1978

TO: Honorable John N. Dalton, Governor of Virginia

and

The General Assembly of Virginia

This subcommittee has been charged with examining the feasibility of a pro-ration method of taxing tangible personal property in lieu of the present system in the Commonwealth of Virginia. The recommendations of this subcommittee will hopefully lead to more equity in the administration of the tangible personal property tax and resolve the issues of pro-ration which reappear at each session of the General Assembly.

Localities are authorized by the Code of Virginia (§ 58-829 et seq.) to impose a tax on the tangible personal property of businesses and individuals. The situs for taxation of tangible personal property is its location on January 1, and the value of such property is determined as of that date. Every taxpayer owning any tangible personal property on January 1 of any year must file by May 1 a return with the local commissioner of the revenue or other appropriate official of the county or city in which said property is subject to tax (a different filing date and tax due date may be provided by local ordinance). The situs of tangible personal property for taxation in the case of motor vehicles, trailers, and boats is the situs where the vehicle is normally garaged, docked or parked as of January 1.

This method of assessing tangible personal property is followed by all localities with the sole exception of the city of Alexandria. Chapter 492 of

the 1970 Acts of Assembly amended the Alexandria city charter to allow, by local ordinance, for the pro-ration of tangible personal property taxes on motor vehicles, boats and trailers. Such local ordinance passed and Alexandria adopted, as of January 1, 1971, a monthly pro-ration of tangible personal property taxes with credit provisions for similar taxes paid in another jurisdiction on the same or substitute vehicle.

The subcommittee has examined the present annual tax based on situs and ownership as of a certain date and has determined that this practice results in inequitable treatment for taxpayers, a loss of local revenue, and encourages individuals to escape taxation.

In terms of equity, taxpayers are taxed as of one particular date for an entire year regardless of whether or not they own and use such vehicle for the entire year. In addition, a number of individuals unfairly escape taxation by turning in an automobile and title to a dealer by the last week of December and not taking permanent title to the new automobile until after January 1. Moreover, if an individual changes automobiles, moves out of or into a locality, or wrecks or disposes of the vehicle no appropriate adjustment is made on the individual's tax liability.

The subcommittee believes that most of the inequities of the tangible personal property tax can be alleviated by the adoption of a pro-ration system of taxation whereby the tax is based on a monthly pro-ration. Under this method the tax would be levied on the value of property owned by all persons and organizations only for such portion of the year in which the vehicle is owned and has situs in such locality. The system would not only provide for more effective control over property that should be subject to taxation but would also provide a means of significantly increasing revenues from this tax source. In Alexandria, in the year pro-ration was adopted taxes assessed increased by almost 40 percent. Most of this increase was attributable to the enactment of a pro-ration method of taxing tangible personal property. (In tax year 1975, Virginia localities collected approximately \$121 million from this tax source.) Moreover, pro-ration would eliminate the ability of individuals to own an automobile for lengthy periods during the year without paying a tax. The extreme situation would be where an individual turns his automobile and title over to a dealer in the last week of December and does not take permanent title to the new automobile until after January 1. In this situation, an individual would never have to pay personal property taxes in those jurisdictions which impose a tax only on property owned as of January 1 of a particular year.

Although the subcommittee strongly believes that pro-ration of tangible personal property would yield benefits to all localities, the subcommittee also believes that because of the local nature of the tax each locality should decide which method of taxation is best for itself based on its size, demographic considerations, and its needs. The subcommittee also recognizes that the adoption of pro-ration could lead to increased administrative costs that may offset some of the additional revenue thus, each locality should and would weigh any projected increase in administrative costs derived from the adoption of local option pro-ration

against the expected increase in revenues.

Based on these considerations the subcommittee recommends that localities be given the option, by local ordinance, to adopt a monthly pro-ration method of taxing motor vehicles, boats and trailers with appropriate credit provisions for similar taxes paid in another jurisdiction on the same or substitute vehicle. The subcommittee does not recommend mandatory pro-ration statewide because it strongly believes the tangible personal property tax is a local issue and that each locality should decide for itself if pro-ration would further equity and be in the best interest of the locality. Furthermore, each locality must decide for itself if the increased local revenue resulting from the adoption of pro-ration will sufficiently outweigh the increased administrative costs to warrant its adoption.

To ensure that localities have the means to administer a pro-ration method of taxing motor vehicles, boats and trailers, the subcommittee has met with representatives of the Division of Motor Vehicles. After exploring the present role DMV plays in assisting localities in establishing the situs of motor vehicles, the subcommittee has a recommendation, which if adopted, would not only ensure the accuracy of the DMV listing, and thus allow localities to efficiently monitor new and used motor vehicles establishing situs in localities, but would also assist localities in ensuring that all motor vehicle owners pay the local license tax.

The subcommittee recommends that upon sale of a motor vehicle by a dealer, such dealer promptly forward a copy of the federal odometer mileage statement to the commissioner of the revenue in the locality where the vehicle will have situs. This statement will include information regarding the vehicle, model year, vehicle identification number, and date of sale. This information will allow the commissioner of the revenue to pro-rate taxes if the locality has adopted this practice. For non-dealer sales, the subcommittee recommends that the Division of Motor Vehicles be prohibited from issuing State license tags until the new owner shows evidence that a local license tag was obtained for such vehicle. This will ensure that such vehicle is registered in the appropriate locality and, assuming a pro-ration system is in effect, that the local commissioner has the information to properly pro-rate the tangible personal property tax. The Division of Motor Vehicles will continue to provide computer listings of situs based on the DMV records to assist the commissioners of the revenue in verifying the situs.

This recommendation will provide accurate information to localities on the changes in the situs of motor vehicles and thus allow an efficient administration of the tax.

Your subcommittee suggests that the attached legislation be introduced in the 1978 session of the General Assembly to implement the recommendations.

On January 23, 1978, the House Finance Committee accepted this report and ordered that it be printed and distributed.

Respectfully Submitted,

C. Richard Cranwell, Chairman,

Frederick H. Creekmore

Joseph A. Leafe

Warren G. Stambaugh

A BILL to amend Code of Virginia by adding sections numbered 46.1-65.2 and 58-835.1, relating to the taxation and registration of certain motor vehicles and trailers and the taxation of boats.

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding sections numbered 46.1-65.2 and 58-835.1 as follows:

§ 46.1-65.2. Requirements for issuance of license plates; filing of certain odometer records with local commissioner by dealer.—A. Before the Division issues or transfers a license plate for a motor vehicle or trailer to any person, except a motor vehicle or trailer purchased from a dealer, evidence in the form of receipt showing the payment of a local tax and fee on such motor vehicle or trailer levied pursuant to § 46.1-65 shall be required from such person.

B. Every dealer, subsequent to the sale of any motor vehicle or trailer, shall within ten days of such sale transmit a copy of the federal odometer mileage statement to the commissioner of the revenue of the county or city wherein such motor vehicle or trailer is to be normally garaged or parked. Any dealer violating the provisions of this subsection shall be guilty of a Class 1 misdemeanor.

§ 58-835.1. Proration of tax on motor vehicles, trailers and boats; classification for tax purposes.—A. Any county or city may, by local ordinance duly adopted, value, levy and collect a tangible personal property tax on any motor vehicle, trailer and boat acquiring a situs within such county or city after January one of each year; provided, however, such tax shall be prorated and computed on a monthly basis.

B. Any taxpayer owning a motor vehicle, trailer or boat which has acquired situs in a county or city after January one shall, on or before the date such county or city has established for filing a return of personal property or within thirty days from the date such vehicle acquired situs within such county or city, whichever is later, file or return as provided in § 58-837.

C. Such ordinance shall also provide that upon presentation of evidence of payment satisfaction to the commissioner of the revenue, a credit shall be allowed for any month upon which a personal property tax was levied on such motor vehicle, trailer or boat by another jurisdiction.

D. Upon the application of the taxpayer and presentment of evidence satisfactory to the commissioner of the revenue that such motor vehicle, trailer or boat has acquired situs in another jurisdiction and that a personal property tax has been paid on such motor vehicle, trailer or boat to such jurisdiction, county or city shall refund any tax paid for any such months during which such tax was also paid to such other jurisdiction.

E. For purposes of this section, motor vehicles, trailers and boats are

hereby defined as separate items of taxation and shall constitute a classification for local taxation separate from other such classifications of tangible personal property.

APPENDIX A

ODOMETER MILEAGE STATEMENT

(Federal regulations require you to state the odometer mileage upon transfer of ownership. An inaccurate or untruthful statement may make you liable for damages to your transferee, for attorney fees, and for civil or criminal penalties, pursuant to sections 409, 412, and 413 of the Motor Vehicle Information and Cost Savings Act of 1972 (Pub. L. 92-513, as amended by Pub. L. 94-364).

I, _____, state that the odometer
(transferor's name—PRINT)

of the vehicle described below now reads _____ miles/kilometers.

Check one box only.

- (1) I hereby certify that to the best of my knowledge the odometer reading as stated above reflects the actual mileage of the vehicle described below.
- (2) I hereby certify that to the best of my knowledge the odometer reading as stated above reflects the amount of mileage in excess of designed mechanical odometer limit of 99,999 miles/kilometers of the vehicle described below.
- (3) I hereby certify that to the best of my knowledge the odometer reading as stated above is NOT the actual mileage of the vehicle described below, and should not be relied upon.

MAKE	BODY TYPE	MODEL
VEHICLE ID-NUMBER		STOCK NUMBER
COLOR	TRIM	YEAR

Check one box only.

- (1) I hereby certify that the odometer of said vehicle was not altered, set back, or disconnected while in my possession, and I have no knowledge of anyone else doing so.
- (2) I hereby certify that the odometer was altered for repair or replacement purposes while in my possession, and that the mileage registered on the repaired or replacement odometer was identical to that before such service.
- (3) I hereby certify that the repaired or replacement odometer was incapable of registering the same mileage, that it was reset to zero, and that the mileage on the original odometer or the odometer before repair was _____ miles.

TRANSFEROR'S STREET ADDRESS (SELLER)		
CITY	STATE	ZIP CODE
DATE OF STATEMENT	TRANSFEROR'S SIGNATURE (SELLER)	
	X	

TRANSFEREE'S NAME (BUYER)		
STREET ADDRESS		
CITY	STATE	ZIP CODE

— AGREEMENT —

"Unless otherwise indicated, the odometer mileage listed above with respect to the vehicle to be sold to Purchaser hereunder is based on the best knowledge and belief of the Dealer, and Purchaser agrees that Dealer shall have no liability to Purchaser under this agreement or otherwise if the odometer is determined to be inaccurate for reasons beyond the control of, and without the actual knowledge of the dealer.

RECEIPT OF COPY ACKNOWLEDGED

TRANSFEREE'S SIGNATURE -- BUYER _____ DATE _____

