

**FINAL REPORT OF THE
DEPARTMENT OF MOTOR VEHICLES**

**Study Coordination of Collection
of Local Personal Property Taxes
and Local Vehicle License Fees
with the State Registration
of Motor Vehicles**

**TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA**



SENATE DOCUMENT NO. 13

**COMMONWEALTH OF VIRGINIA
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INTRODUCTION

From time to time in recent years, discussion has arisen in connection with the feasibility of State coordination and collection of local personal property taxes and local motor vehicle license fees in Virginia. In that there is a close relationship between the State registration of motor vehicles, local licensure of motor vehicles, and local personal property taxes on motor vehicles, several letters have been written by citizens to their respective Delegate or Senator suggesting that it might be cost effective and beneficial for the Commonwealth to initiate such a coordinated tax collection system. Generally these proposals are suggesting ways to streamline the process for the citizen as well as the enhancement of customer service.

Senate Joint Resolution 250 was initiated by Senator Charles L. Waddell as a result of correspondence from a constituent suggesting changes in the collection process.

The Joint Resolution requested the Department of Motor Vehicles, with the assistance of the Commission on Local Government, the Virginia Municipal League, the Virginia Association of Counties, the Commissioners of the Revenue Association of Virginia, and the Treasurers' Association of Virginia to study coordination of

collection of local personal property taxes and local motor vehicle license fees with State registration of motor vehicles. The study committee was requested to examine all relevant factors including differences in tax years, varying lengths of registration periods and multi-year registration periods, possible lack of uniformity of data collection and record keeping systems, etc. to determine the desirability and feasibility of providing a consolidated mechanism to handle these functions.

BACKGROUND

Local political jurisdictions in Virginia derive their revenues primarily from the following sources: (1) the general property tax, (2) sales, gross receipts, and income taxes, (3) licenses, permits, and fees, (4) and charges for services.

The general property tax may apply to both real estate and personal property. Real property includes land as well as any improvements on the land, while personal property includes automobiles, boats, aircraft, business equipment, etc. Among many others, the licenses, permits, and fees category includes local motor vehicle license fees assessed by the jurisdictions.

In Virginia, there is a close interrelationship between the State registration of motor vehicles, local licensure of motor vehicles, and local personal property taxes on motor vehicles. Historically the local license fees and local personal property taxes have been collected by each local political jurisdiction based on a schedule established by each respective jurisdiction. However, a closer coordination of State and local motor vehicle licensure and the collection of personal property taxes may be desirable. A "one stop shopping" concept for these fees and taxes could result in cost savings to both State and local governments as well as time savings to individual citizens.

§46.2-756 of the Code of Virginia currently enables the Department of Motor Vehicles to collect, upon written request by the governing body, local motor vehicle license fees for local political jurisdictions provided they are for the same period of time as the State license plate. The relevant provision of the statute is as follows:

§ 46.2-756. Collection by Department of certain license fees.

...The Department may, upon the written request of the governing body of any county, city, or town, collect motor vehicle, trailer, and semitrailer license fees, or portions thereof, provided the portions are for the identical period as the state license plate, levied by such county, city, or town...

Currently, only three political jurisdictions in the Commonwealth have adjusted their expiration dates for local vehicle license fees to coincide with State license expiration dates. Those three jurisdictions are the City of Richmond and the Counties of Augusta, and Northumberland. Of the three jurisdictions, only Augusta County has requested DMV to collect local vehicle license fees on their behalf. In 1991, the Department of Motor Vehicles received the request from Augusta County regarding the collection of the County's local vehicle license fee by DMV. The request included the Cities of Staunton and Waynesboro. Another request came from the City of Charlottesville as well. Although the local license periods are not the same as that for the State, the DMV personnel in the branch offices prorate the local fees when necessary.

ISSUES

State registration license plates and renewal decals may be purchased for either one or two years, at the option of the registrant. However, no standard time table exists among local governments for collection of local decals or personal property taxes. Most localities collect these fees and taxes on an annual cycle, however, the specific cycle is different among the various jurisdictions. In order to maintain the convenience and cost-effectiveness of multi-year registrations, localities would be required to adopt a similar option for automobile personal property taxes and vehicle license fees with all localities adhering to the same schedule or cycle. This could dramatically affect cash flow to local governments, especially in the first year of such operation.

If coordinated collection of personal property taxes and local decals is found desirable and implemented without a multi-year option, the proposal would increase the traffic in DMV branch offices, thereby reducing the convenience and cost-effectiveness of DMV's operations in the process. Most localities, and DMV, now accept payment of fees and personal property taxes by mail. Use of the postal system is suggested as a more viable alternative to this proposal than changing the entire collection process to coordinate with the State vehicle registration cycle.

The one time cost of collection of personal property taxes on

automobiles along with the local vehicle decals could have a serious and detrimental impact upon the average citizen. DMV's staggered registration schedule usually allows a vehicle owner to recover from one fee before incurring another. Coordinated collection of personal property taxes, local vehicle decals, and state registration would eliminate this, making all costs and fees payable at one time. This could prove to be financially burdensome to many citizens.

If the collection of local vehicle taxes and local personal property taxes is taken out of the hands of local government many citizens could become confused over what political jurisdiction is actually receiving the money, their city or county of residence, or the State? Any such change in this direction would tend to disrupt the link between those who pay the taxes and those who provide the governmental services at the local level. This could, consequently, result in an erosion of both the authority and responsibility of local governments in Virginia.

RECOMMENDATIONS

Good government is synonymous with the provision of good citizen services. All representatives on the study committee, whether representing State or local jurisdictions, expressed a strong desire to provide a well administered and efficient tax collection system; one that makes citizen service of paramount importance. It was also recognized and acknowledged that the best citizen services can be provided at the local level.

Because of the many different factors involved, e.g., different tax years, varying registration periods, lack of uniformity in data collection and record keeping systems of both local governments and the Department of Motor Vehicles, as well as the potentially detrimental financial impact on the citizen it is the consensus of the study committee that the process for collection of personal property taxes and motor vehicle registration fees remain unchanged. This does not, however, preclude any local political jurisdiction from requesting DMV to collect local vehicle license fees as currently provided under §46.2-756 of the Code of Virginia. A further recommendation is made that the Department of Motor Vehicles and local governments should maintain a high level of communication and cooperation as future automated information systems continue to be developed. This will allow for the evolution of enhanced customer service functions such as joint collection of taxes and fees at both the State and local levels.

Appendix

SENATE JOINT RESOLUTION NO. 250

Requesting the Department of Motor Vehicles, with the assistance of the Commission on Local Government, the Virginia Association of Counties, the Treasurers' Association, the Commissioners of the Revenue Association of Virginia, and the Virginia Municipal League, to study coordination of collection of local personal property taxes and local motor vehicle license fees with state registration of motor vehicles.

Agreed to by the Senate, February 27, 1993

Agreed to by the House of Delegates, February 26, 1993

WHEREAS, in Virginia there is a close interrelationship between state registration of motor vehicles, local licensure of motor vehicles, and local personal property taxes on motor vehicles; and

WHEREAS, both from the point of view of state and local governments and from the point of view of individual citizens, closer coordination of state and local motor vehicles licensure and collection of personal property taxes may be desirable; and

WHEREAS, "one stop shopping" for these vehicle licenses and taxes could result in cost savings to state and local governments and time savings to individual citizens; and

WHEREAS, bringing about this merger of licensure and tax collection functions requires careful consideration, planning, and coordination, lest premature implementation create more confusion than savings; and

WHEREAS, differences in tax years, varying lengths and staggering of registration periods, and disuniformity in data collection and record keeping systems, in particular, must be taken into account and somehow revised or adjusted satisfactorily in order to provide a fully coordinated system of motor vehicle licensure and personal property tax collection; now, therefore, be it

RESOLVED by the Senate, the House of Delegates concurring, That the Department of Motor Vehicles, with the assistance of the Commission on Local Government, the Virginia Association of Counties, the Treasurers' Association, the Commissioners of the Revenue Association of Virginia, and the Virginia Municipal League, be requested to study coordination of collection of local personal property taxes and local motor vehicle license fees with state registration of motor vehicles and make recommendations on the desirability and feasibility of providing a consolidated mechanism to handle all these functions.

The Department shall complete its work in time to submit its findings and recommendations to the Governor and the 1994 Session of the General Assembly as provided in the procedures of the Division of Legislative Automated Systems for processing legislative documents.