

**REPORT OF THE JOINT
SUBCOMMITTEE STUDYING**

**TAXATION OF EQUIPMENT OF
MOTOR CARRIERS**

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



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**Report of the
Joint Subcommittee Studying the
Taxation of Equipment of Motor Carriers
to
The Governor
and the
General Assembly of Virginia
Richmond, Virginia
January, 1996**

Executive Summary

Senate Joint Resolution 366, passed by the 1995 Session of the General Assembly, established a joint subcommittee to study the taxation of motor carrier equipment in the Commonwealth. The joint subcommittee's work focused on the fiscal and administrative burdens of the current tax system on Virginia's trucking industry, the elimination of the rolling stock tax on motor carriers of property, and the implementation of Senate Bill 898 (1995).

The Virginia Trucking Association has cautioned that the Commonwealth's system of taxing the equipment of motor carriers is creating a disincentive for Virginia's trucking companies to base equipment here. Recent changes in the regulatory environment have increased competition within the trucking industry. Trucking companies have unprecedented flexibility in deciding where to base their vehicles and operations.

According to information supplied by the American Trucking Association Foundation, the property tax burden on motor carrier equipment in Virginia is the fifth highest in the country. Virginia's three percent titling tax is also cited as an incentive for trucking companies to title vehicles in adjacent states. Virginia's registration fees and fuel taxes are below the national average.

The burden of complying with Virginia's system of taxing trucking equipment can be as important to motor carriers as the amount of the taxes levied. Differences in administration of the tangible personal property tax can create administrative burdens on companies with equipment based in different localities. Measures such as the rolling stock tax, which require a company to deal with one state agency rather than many localities, and the

permanent trailer license plate, which eliminates the need to track down trailers to affix renewal decals, are cited as examples of a tax system that limits the taxpayer's administrative burden.

Effective January 1, 1995, federal law prohibits state economic regulation of intrastate trucking. Consequently, certificates of public convenience and necessity may no longer be issued to most trucking companies. As a result, the equipment of eleven trucking companies which had been subject to the rolling stock tax will become subject to taxation by local governments at the machinery and tools rate. The rolling stock tax rate of \$1 per \$100 of assessed value is lower than the initial effective machinery and tools tax rate in many Virginia localities. In addition to increasing the rate of taxation, the elimination of motor carrier equipment from taxation under the rolling stock tax may increase the administrative burden on trucking companies with equipment based in several localities.

Until July 1, 1995, motor carrier equipment (exclusive of that which was subject to the rolling stock tax) had been subject to local personal property tax at the same rate applicable to other types of motor vehicles. The 1995 Session of the General Assembly enacted Senate Bill 898, which creates a separate classification for motor vehicles owned or used by a motor carrier and motor carrier transportation property as defined in 49 U.S.C. § 11503a (a) (3). Property in this new class cannot be taxed at a rate higher than that applicable to machinery and tools. Senate Bill 898 will lower the rate at which trucking equipment is taxed in many localities.

This legislation was prompted by an opinion of the Attorney General that a county's practice of assessing personal property tax on motor transportation property at a tax rate that exceeds the local machinery and tools tax rate contravenes the federal Interstate Commerce Act. This federal law prohibits discrimination against motor carrier transportation property as compared with other commercial and industrial property generally.

Commissioners of the Revenue have expressed concerns with the implementation of Senate Bill 898. In addition to reducing revenues, the legislation may cause similar types of transportation property to be taxed at different rates, depending on whether its owner meets the Interstate Commerce Commission's definition of a motor common carrier. In addition, the statute does not provide clear guidance as to what constitutes "motor carrier transportation property."

The joint subcommittee endorsed a proposal to clarify the definition of "motor carrier transportation property" in order to address some of the concerns about the implementation of Senate Bill 898. The joint

subcommittee's recommendation limits this classification of property to for-hire motor vehicles, trailers, and semitrailers with a gross vehicle weight rating of 10,000 or more pounds used by a motor carrier engaged in interstate commerce. (Appendix F)

The joint subcommittee heard that the application of prorated personal property tax to motor carriers' vehicles creates a significant administrative burden and cost. In response, the joint subcommittee recommended that localities that prorate the personal property tax on motor vehicles be allowed to exclude motor carrier transportation property from their proration ordinances. (Appendix G)

The joint subcommittee endorsed technical changes to the rolling stock tax law. These revisions include eliminating the applicability of the State Corporation Commission's special regulatory revenue tax to common carriers of property by motor vehicle because they are no longer regulated by the Commission. (Appendix H)

The joint subcommittee endorsed a resolution asking the Department of Motor Vehicles to evaluate the issue of permanent license plates for trailers and recommend an appropriate fee for such a plate. The resolution will also direct the Department to (i) evaluate and analyze the fiscal impact of an exemption or a cap on the motor vehicle sales and use tax on heavy duty vehicles and (ii) study the advisability of allowing the acceptance of a valid federal annual inspection in lieu of state inspection for commercial vehicles subject to Federal Motor Carrier Safety Regulations. The Department will also be asked to cooperate with the Virginia Trucking Association and the Commissioners of Revenue Association in their exploration of a centrally administered system for collecting ad valorem taxes on motor carrier equipment. (Appendix I)

I. Introduction

Citing arguments that the current system of taxation of equipment of motor carriers is making it difficult for motor carriers based in the Commonwealth to compete with motor carriers based in other states, the General Assembly passed Senate Joint Resolution No. 366 in 1995 to study the taxation of motor carrier equipment in the Commonwealth. The joint subcommittee was asked to recommend, if appropriate, a system of taxation of motor carrier equipment that (i) makes it more cost-effective for motor carriers to register their equipment in the Commonwealth than in other states; (ii) provides uniformity in assessments and rates; (iii) allows the tax to be apportioned based on the number of miles driven in Virginia; (iv) eases record keeping and reporting burdens; (v) provides clear criteria for determining the taxable situs of vehicles; and (vi) is revenue neutral to the greatest extent possible.

The joint subcommittee was chaired by Senator Charles L. Waddell of Loudoun County. Delegate V. Earl Dickinson of Louisa served as vice chairmen. Other subcommittee members include Senator Virgil H. Goode, Jr., Senator L. Louise Lucas, Delegate Jay W. DeBoer, Delegate Joseph P. Johnson, Jr., and Delegate Raymond R. Guest, Jr.

II. Background

A. Recent Developments in the Trucking Industry

Virginia's trucking industry is facing an era of change and challenge. The repeal of laws fixing rates and routes has ushered in opportunities for growth, threats from competition, and needs for efficiency. Effective January 1, 1995, states may no longer impose economic regulations on intrastate trucking other than household goods carriers.

Economic deregulation, coupled with implementation of the International Fuel Tax Agreement, is giving trucking companies unprecedented flexibility in deciding where to base their vehicles and operations. As a result, trucking firms that previously based their operations in Virginia in order to comply with regulatory requirements now have the option of basing operations in other states where the cost of conducting business is less burdensome.

Dale Bennett of the Virginia Trucking Association told the joint subcommittee that the state's trucking industry encompasses 6,000 businesses employing 190,000 Virginians with an annual payroll of \$6

billion. He cautioned that the Commonwealth's system of taxing the equipment of motor carriers is creating a disincentive for Virginia's trucking companies to base their vehicles here.

B. Taxation of Equipment of Motor Carriers in Virginia.

1. Tangible Personal Property Tax

The joint subcommittee reviewed the various taxes, both state and local, imposed on the equipment of motor carriers. The local personal property tax generally constitutes the greatest financial burden of the several taxes.

Section 4 of Article X of the Virginia Constitution segregates tangible personal property, other than equipment subject to the rolling stock tax administered by the State Corporation Commission (SCC), for taxation by local governments. Motor carrier equipment normally garaged, docked or parked in Virginia is subject to ad valorem taxation under the local tangible personal property tax levied pursuant to Chapter 35 of Title 58.1 (§ 58.1-3500 et seq.).

Prior to July 1, 1995, motor vehicles of motor carriers that were not subject to the rolling stock tax were taxed by localities at the tax rate applicable to tangible personal property generally. The nominal personal property tax rate on motor vehicles in 1994 varied significantly among Virginia localities. Among cities, it ranged from \$1.50 in Bedford to \$7.07 in Galax, and among counties it ranged from \$.20 in Bath to \$21.90 in Dickenson. The effective tax rate, which is calculated by adjusting the nominal rate by the assessment ratio, also varies considerably. The highest local effective tax rate on motor vehicles is \$3.85 in Alexandria, and the lowest is \$.16 in Bath County. Much of the discrepancy between the nominal and effective tax rates is due to the valuation of certain classes of personal property according to an assessment ratio rather than being assessed at 100 percent of fair market value.

Pursuant to Senate Bill 898 of the 1995 Session, effective July 1, 1995, the local property tax rate applicable to certain equipment of motor carriers was capped at the locality's machinery and tools rate. Senate Bill 898, which is enrolled as Chapter 142 of the 1995 Acts of Assembly, creates a separate classification for "motor vehicles owned or used by a motor carrier as defined in § 56-273, and motor carrier transportation property as defined in 49 U.S.C. § 11503a (a) (3), exclusive of rolling stock of a certificated motor carrier." The maximum rate of personal property tax that may be levied on property in this class is the rate applicable to machinery and tools.

Section 58.1-3507 of the Virginia Code segregates machinery and tools for local taxation, and provides that the tax rate on this class may not be higher than that imposed on other classes of tangible personal property. The nominal machinery and tools tax rate in cities ranges from a high of \$7.07 in Galax to a low of \$.80 in Fredericksburg. Among counties, the nominal machinery and tools tax rate range from a high of \$21.90 in Dickenson County to a low of \$.20 in Bath County. As with the tax on motor vehicles, the effective rate differs in many localities from the nominal rate because of assessment ratios. Most localities assess this property on the basis of its original cost in the year of acquisition, and discount its value on a fixed declining percentage schedule over following years. The effective tax rates in cities in the first year of assessment ranges in cities from \$3.77 in Alexandria to \$.18 in Norton, and in counties from \$3.66 in Fairfax County to \$.10 in Highland County.

Section 46.2-211 of the Virginia Code requires the Commissioner of the Department of Motor Vehicles (DMV), prior to issuing any registration or certificate of title for any tractor truck, or any three-axle truck, trailer, or semitrailer with a registered gross weight in excess of 26,000 pounds, to determine the county, city, or town in which the vehicle is or will be normally garaged or parked. The Commissioner must then shall advise each commissioner of the revenue of the situs of such vehicles in his jurisdiction.

Subsection B of § 58.1-3511 provides a mechanism for apportionment of personal property tax on motor vehicles operated over interstate routes in the rendition of a common, contract or other private carrier service. According to the formula prescribed by the Code, if the motor vehicle is subject to property taxation in any other state on the basis of an apportioned assessment, the tax "shall be apportioned in the same percentage as the total number of miles traveled in the Commonwealth by such vehicle bears to the total number of miles traveled by such vehicle."

Subdivision A 5 of § 58.1-3503 provides that, subject to certain exceptions, trucks of greater than two tons shall be valued by means of either a recognized pricing guide using the lowest value specified in the guide or as a percentage or percentages of original cost. The valuing of property is performed by the local commissioner of revenue, who may take into account the condition of the property.

2. Rolling Stock Tax

Under Article 5 (§ 58.1-2652 et seq.) of Chapter 26 of Title 58.1, the SCC is charged with administering a state tax on the rolling stock of

certificated motor vehicle carriers operating over regular routes under an SCC-issued certificate of public convenience and necessity. A "certificated motor vehicle carrier" is defined in § 58.1-2600 as a common carrier by motor vehicle, including carriers of both passengers and property, operating over regular routes under a certificate of public convenience and necessity issued by the SCC. The rolling stock tax is levied at the rate of \$1 per \$100 of assessed value. The tax collected by the SCC is distributed among counties, cities, and towns in the Commonwealth based on the number of miles traveled within the locality. The rolling stock tax employs a uniform method of assessment, a uniform rate of taxation, and a single administrative authority -- the SCC.

Effective January 1, 1995, federal law preempts state economic regulation relating to routes, rates and services of most intrastate trucking companies. States may continue to regulate the operation of household goods carriers. As a result, the SCC has ceased issuing certificates of public convenience and necessity for carriers of property, and the competitive restrictions created by the certificates are void.

Prior to January 1, 1996, § 56-278 provided that no common carrier by motor vehicle or restricted carrier by motor vehicle shall engage in intrastate operation on any highway within the State without first having obtained a certificate authorizing such operation from the Commission. This section was repealed by House Bill 744 and Senate Bill 882 of the 1995 Session, enacted as Chapters 744 and 803 of the 1995 Acts of Assembly. These bills (referred to as the "one stop shopping bill") transferred jurisdiction for the issuance of certificates of public convenience and necessity for motor vehicle carriers from the SCC to the Department of Motor Vehicles. The economic deregulation of the trucking industry was acknowledged in the one stop shopping bill by providing in Chapter 20 of Title 46.2 (§ 46.2-2000 et seq.) that DMV may issue certificates of public convenience and necessity only to passenger carriers and household goods carriers.

These changes in the laws regarding the certification of motor carriers of property have made their equipment ineligible for taxation under the rolling stock tax. The SCC will not collect the rolling stock tax on trucking equipment after 1995. Though household goods carriers may be certificated by the DMV, they are not eligible for the rolling stock tax because they do not travel over fixed and regular routes as required by § 58.1-2600. The equipment of trucking companies which had been taxed at a rate of \$1 per \$100 of assessed value will become subject to taxation by local governments at the rate imposed on machinery and tools.

3. Motor Vehicle Sales and Use Tax

Virginia levies a titling tax at the rate of three percent of the sale price of a motor vehicle, trailer, or semitrailer at the time it is initially titled in Virginia. Section 58.1-2402 provides that the three percent titling tax rate applies to all motor vehicles sold or used in Virginia, with the exception that vehicles that qualify as mobile offices are taxed at a rate of two percent of their sales price. According to data supplied to the joint subcommittee by DMV, in 1994, \$7.6 million in titling tax was paid on 10,530 trucks and tractors purchased by private and for-rent or for-hire carriers.

4. Registration Fees

In addition to obtaining a certificate of title, the owner of any motor vehicle, trailer, or semitrailer is required by § 46.2-600 to register with the Department of Motor Vehicles. Registration is generally required annually; however, Virginia currently offers a five-year trailer registration for fleets of 50 or more trailers as provided in § 46.2-701.

The general formula for calculating the registration fee for a motor vehicle not designed to carry passengers is set out in § 46.2-697, and is based on the gross weight when loaded to its maximum capacity. Rates are higher for "for hire" carriers than for private carriers. The fee for the largest category of vehicles listed (76,001 to 80,000 pounds gross weight) is \$15 per 1,000 pounds. Pursuant to § 46.2-701, combinations of tractors and semitrailers are considered a unit for purposes of calculating gross weight, though each component is required to register as a separate vehicle. The fee for the registration card and license plate for a combination tractor and semitrailer of over 4,000 pounds is \$22. Thus, the cost of registering an 80,000-pound five-axle tractor and semitrailer in Virginia would be \$1,222.

DMV issues registrants either an intrastate license plate or an International Registration Plan (IRP) plate. The International Registration Plan is a system developed by the American Association of Motor Vehicle Administrators through which motor carriers can register their tractors and trailers in almost any state and operate nationwide. Under the Plan, a state may enter into reciprocal agreements with other states for the assessing and collecting of license fees for motor vehicles on an apportionment or allocation basis. If the registrant is applying for an IRP plate, the cost of registering the vehicle in Virginia is prorated by the percentage of travel to occur in Virginia, and in addition the applicant is required to pay the prorated fees due to the other states in which the vehicle will travel. The registration fees

for the equipment are paid to the base state and apportioned among all of the states in which the vehicle will travel based on miles traveled.

Exceptions to the registration requirement are provided in Article 5 (§ 46.2-655 et seq.) of Chapter 6 of Title 58.1 for the nonresident owners of foreign motor vehicles operating in Virginia on an irregular basis, if the same privileges are reciprocally granted by the state of residence. An exception applies to instances where a nonresident's vehicle is exempt from registration requirements in his state of residence if a similar vehicle operated there by a Virginia resident would not be required to register (§ 46.2-657). A vehicle operated exclusively in interstate commerce as often as four times per month is eligible for license fees at a rate of from one cent per mile operated (for vehicles of less than 5,000 pounds gross weight) to two and one-half cents per mile (for vehicles of more than 15,000 pounds gross weight).

The DMV issues and renews approximately 30,000 IRP plates and transfers over \$30,000,000 to the Highway Maintenance and Construction Fund annually. Department of Motor Vehicle data for fiscal years 1994 and 1995 was also presented which showed that motor carrier equipment registration increased from 392,854 to 397,802 over the period. While the total number of trucks, tractors, and trailers increased by 1.3 percent, the number of IRP registrations declined from 25,125 to 24,620.

III. Issues

A. Relative Burden of Virginia's Tax System

In addressing its charge to study whether Virginia's system of taxation was a disincentive to registering and basing equipment here, the joint subcommittee reviewed the tax burden on trucking operations based in Virginia compared to other states. Data supplied by the American Trucking Association Foundation (ATAF) indicates that the total annual tax burden on an 80,000 pound gross vehicle weight (GVW) five-axle tractor-semitrailer in Virginia is \$6,512. This total is the fifteenth highest among all states. Among neighboring states, only Kentucky levied more taxes on this hypothetical truck. The national average is estimated to be \$5,795. The data for all states is set forth as Appendix B.

Comparing the tax burdens imposed by various states can be problematic because of differences in the method of taxation, the variety of exemptions, and distinctions in administrative procedures.

- Property/ Ad Valorem Taxes: Twenty-six states do not impose a property tax on commercial motor vehicles. The ATAF has estimated that the average retail value of its \$80,000 tractor and semi-trailer is \$80,000, and that the effective tax rate is \$2.69 per hundred dollars of assessed value. Based on these assumptions, the property tax in Virginia would be \$2,153, which is the fifth highest in the country. The national average, including those states where a property tax is not levied, is \$765. A chart stating the property taxes imposed by states on motor carrier equipment is attached as Appendix C.
- Registration and Weight Fees: The annual cost of registering the 80,000 pound GVW tractor-semitrailer in Virginia is \$1,222; the national average is \$1,257.
- Motor Vehicle Sales and Use/ Titling Tax: The titling tax on the 80,000 pound GVW tractor-semitrailer, based on an \$80,000 purchase price, is \$2,400. Assuming a six-year useful life, the annual cost of Virginia registration is \$400. The national average titling tax is \$250. However, when the estimated sales tax on parts and service is included, the national annual average rises to \$344. Including the tax on these items does not increase the tax liability on Virginia trucks because the ATAF analysis lists these items as tax-exempt. An analysis of state motor vehicle sales and use tax provisions is attached as Appendix D.

- Fuel taxes: The annual fuel tax on the hypothetical tractor-semitrailer combination, assuming consumption of 14,033 gallons of diesel, is \$2,737 in Virginia. Nationally, the corresponding figure is \$2,847. The rate of the fuel tax on diesel in the Commonwealth, 19.5 cents per gallon, is less than the national average of 20.28 cents. Virginia collects nearly \$28 million annually from its road tax.

The Virginia Trucking Association suggested that reducing the taxes on motor carrier equipment may increase state and local revenue by reversing the trend toward basing vehicles in other jurisdictions. Industry spokesman Dale Bennett cited the example of New Jersey, which in 1990 eliminated its sales tax exemption for trucking equipment. As a result, truck sales fell by 93 percent and tax collections failed to meet expectations. The sales tax exemption was reinstated less than five months after its repeal.

B. Administration of Tangible Personal Property Tax

The joint subcommittee received comments from both local governments and the trucking industry regarding the administration of the current property tax system.

1. Concerns of Local Governments

Ike Carmichael and Ellen Murphy, Commissioners of the Revenue for Chesterfield and Frederick Counties, respectively, expressed concerns about implementing Senate Bill 898. As noted above, Senate Bill 898 created a separate classification of tangible personal property in § 58.1-3506 for “[m]otor vehicles owned or used by a motor carrier as defined in § 56-273, and motor carrier transportation property as defined in 49 U.S.C. § 11503a (a) (3). Property in this classification cannot be taxed at a rate higher than the machinery and tools tax rate. By reducing the tax rate on this type of property, the legislation will reduce revenues in those jurisdictions where the machinery and tools tax rate is lower than the rate applied to motor vehicles generally.

The Commissioners also expressed concerns that the legislation is inconsistent with the goal of uniformity of taxation. Commissioners will be required to determine whether the owner of an item of transportation property meets the Interstate Commerce Commission’s definition of a motor common carrier, who is “a person holding itself out to the general public to provide motor vehicle transportation for compensation.” The ICC’s definition of “motor carrier transportation property” includes not only motor vehicles but also other items of personal property, such as maintenance equipment, owned or used by interstate motor carriers. Commissioners may also be

required to discern whether motor carriers are providing transportation in interstate commerce. By letter to the Frederick County Commissioner of the Revenue dated April 18, 1995, the Department of Taxation has advised that localities will be required to distinguish between common carrier vehicles and private carrier vehicles.

Senate Bill 898 was prompted by the opinion of the Attorney General to The Honorable Natalie Cather Miller, Commissioner of the Revenue for Frederick County, dated January 9, 1995. The opinion addressed whether the taxing practice of assessing a personal property tax on motor transportation property at a rate that exceeds that utilized for either the state rolling stock tax or the machinery and tools tax contravenes § 11503a(b)(3) of the federal Interstate Commerce Act. The Act prohibits discrimination against motor carrier property by taxing it "at a tax rate that exceeds the tax rate applicable to commercial and industrial property in the same assessment jurisdiction."

The Attorney General concluded that a county's practice of assessing personal property tax on motor transportation property at a tax rate exceeding the local machinery and tools tax rate contravenes the provisions of § 11503a (b) (3). The Attorney General noted that tangible personal property classified as "machinery and tools" under § 58.1-3507 (A) is encompassed within the broad definition of "commercial and industrial property" in § 11503a(a)(4). This conclusion follows from a finding that tangible personal property classified as machinery and tools under § 58.1-3507 (A) is encompassed within the federal law's definition of "commercial and industrial property." Commercial and industrial property is defined in § 11503a (a) (4) as "property, other than transportation property and land used primarily for agricultural purposes or timber growing, devoted to a commercial or industrial use and subject to a property tax levy."

Commissioners of the Revenue noted that the majority of commercial and industrial property in Virginia is taxed at the general personal property tax rate rather than at the machinery and tools tax rate. The machinery and tools tax rate applies only to a special class of commercial and industrial property. Commissioners have contended that if the tax rate applicable to transportation equipment is not greater than the tax rate applicable to commercial and industrial property, and if the tax rate applicable to commercial and industrial property is not greater than the general property tax rate, the Interstate Commerce Act is not violated.

Ray Conner, Commissioner of the Revenue for the City of Chesapeake and president of the Commissioners of the Revenue Association, also criticized the vagueness of Senate Bill 898's definition of motor carrier

transportation property. By incorporating the federal statutory definition by reference, Commissioners are burdened with interpreting the federal law. This imposes an unnecessary burden and may lead to inconsistent interpretations among jurisdictions. Also, the inclusion of motor vehicles owned or leased by a motor carrier as defined in § 56-273 appears to exceed the minimum needed to comply with the Attorney General's interpretation of the Interstate Commerce Act. This broad language might be construed to include motor vehicles used for non-commercial purposes. Moreover, the Code section referenced in the definition (§ 56-273) was repealed by the General Assembly effective January 1, 1996, as part of the one stop shopping bill.

2. Concerns of Trucking Industry

The Virginia Trucking Association advised the joint subcommittee that its members were concerned with both the fiscal and administrative burdens of the local tangible personal property tax.

With respect to the economic burden imposed by the property tax, ATAF data indicates that the local ad valorem tax on trucking equipment is the fifth highest among all states. This assumption is based on an effective tax rate of \$2.69 per hundred dollars of assessed value. The ATAF estimate was prepared as of April 1, 1995, which preceded the effective date of Senate Bill 898 capping the tax rate on such equipment at the local machinery and tools tax rate. The net effect of this bill will be to lower the rate at which trucking equipment is taxed in many localities. In several localities, however, the nominal machinery and tools tax rate is the same as the nominal tax rate on motor vehicles generally.

The cessation of the rolling stock tax on the equipment of eleven trucking companies may subject them to a substantially greater tax burden. The equipment of these firms will become subject to taxation by local governments at the machinery and tools rate. The rolling stock tax rate of \$1 per \$100 of assessed value is lower than the initial effective machinery and tools tax rate in many Virginia localities.

In addition to the change in the rate of taxation, the elimination of motor carrier equipment from taxation under the rolling stock tax will effect the administrative burden on those eleven trucking companies whose equipment had been subject to this centrally-administered tax. Under the rolling stock tax, companies were required to maintain detailed records of the miles traveled through each Virginia locality. Though this duty will end, companies will have to deal with each locality in which its equipment is normally garaged, docked or parked. Dealing with multiple localities, each

with different tax rates, assessment procedures, and administrative requirements, may increase the burden of tax compliance.

The administrative burdens of complying with the local tangible personal property tax in multiple localities are not limited to those eleven firms which previously had been subject to the rolling stock tax. The tax rates, methods of assessment, and determination of the taxable situs of motor carrier equipment vary greatly among localities. This lack of uniformity can create administrative burdens to companies with many trucks based in several different localities.

To address the administrative burdens of complying with property taxes in multiple jurisdictions, the trucking industry asked the joint subcommittee to consider the adoption of a centrally-administered property tax system. Elements of such a system could include (i) a uniform method of assessment and valuation using a uniform depreciation schedule, (ii) apportionment of taxes of interstate vehicles regardless of whether another state has chosen to impose an apportioned tax on the equipment, (iii) billing and collection of the tax, (iv) distribution of the tax revenue back to local governments, (v) auditing, and (vi) appeal of assessments.

Such a system had been in effect for the carriers subject to the rolling stock tax. Several neighboring states, including North Carolina, Tennessee, and Kentucky, have adopted systems with similar features.

The implementation of a centrally-administered system in Virginia is complicated by the Constitutional requirement that tangible personal property be segregated for local taxation only. Consequently, each locality may now set its own tax rate. Commissioners of the Revenue expressed concerns about the implementation of a system whereby local tax revenue would be collected and distributed by a state agency.

In addition, the joint subcommittee heard that the application of prorated personal property tax to motor carriers' vehicles creates a significant administrative burden and cost. As vehicles are added to and removed from fleets, companies must file and adjust their taxes. For many carriers, this can be a monthly exercise.

C. Elimination of Rolling Stock Tax on Trucking Equipment

1. Collection and Distribution of the Tax

In 1994, the assessed value of rolling stock of certificated motor carriers was \$86 million. In 1995, the assessed value of this type of rolling

stock increased to almost \$107 million. Such equipment has been taxed at the rate of \$1 per \$100 of assessed value by the SCC. The SCC distributed the collected taxes to localities based on the number of miles traveled by these carriers within each locality. As the result of changes in federal law banning the economic regulation of most intrastate trucking, after 1995, the SCC will no longer assess the rolling stock of these carriers. Certain other carriers, including passenger bus carriers and dual certificated carriers, will remain subject to the rolling stock tax.

In 1995, \$1,141,963 of rolling stock tax revenue was apportioned to localities. Several localities received substantial amounts of rolling stock tax revenue, including Chesterfield County (\$62,763) and the City of Richmond (\$48,517). However, many localities received only nominal distributions. For example, the town of The Plains received \$2.01 in 1995.

Removing the rolling stock of the eleven motor carriers of property which will no longer be subject to the rolling stock tax will reduce the assessed value of motor carrier property subject to the tax by nearly \$75 million, or nearly 66 percent. The remaining 34 percent is the value of passenger carriers and dual certificated carriers. Of the \$1,141,963 of rolling stock tax revenue in 1995, \$749,090 was collected from the eleven trucking companies that will no longer be subject to this tax. The tax revenues apportioned to each locality in future years will not be reduced by an equal percentage because the apportionment process accounts for miles traveled by certificated carriers in each locality.

A. Lee O'Bryan, Director of the SCC's Public Service Taxation Department, noted that localities with trucking terminals of companies that previously had been subject to the rolling stock tax might gain revenue after the elimination of the rolling stock tax on certificated motor carriers of property.

2. Effect on Certificated Motor Carriers

As noted previously, the end of the rolling stock tax on equipment of motor carriers of property in Virginia may increase their administrative and fiscal burdens. Pursuant to Senate Bill 898, this equipment will be subject to local personal property taxation at a rate not exceeding the machinery and tools tax rate. The net effect of the end of rolling stock taxation coupled with the implementation of Senate Bill 898 may be to increase the tax burden in localities with an effective machinery and tools tax rate greater than one dollar per \$100 assessed value, and to lower the tax burden where the effective rate is less.

Mr. O'Bryan recommended that technical changes be made to the rolling stock tax statutes. The one stop shopping bill transferred the authority to issue certificates of public convenience and necessity from the SCC to the DMV. However, the rolling stock tax law, which is still administered by the SCC, was not amended by the one stop shopping bill. In order to be eligible for the rolling stock tax, the certificate of public convenience and necessity must be issued by the SCC. Therefore, any carriers of passengers issued a certificate of public convenience and necessity by the DMV would not be eligible for the rolling stock tax. In addition, the SCC is still authorized to levy its special regulatory revenue tax on common carriers of property by motor vehicle. The special regulatory revenue tax is assessed pursuant to § 58.1-2660 at a rate of two-tenths of one percent of the gross receipts business done within Virginia, notwithstanding that the SCC no longer regulates these carriers.

D. Apportionment of Property Tax

Section 58.1-3511 B provides a mechanism for apportionment of personal property tax on motor vehicles operated over interstate routes in the rendition of a common, contract or other private carrier service. Revenues from the tangible property tax are required to "be apportioned in the same percentage as the total number of miles traveled in the Commonwealth by such vehicle bears to the total number of miles traveled by such vehicle." The provision applies only if the equipment is subject to property taxation in another state on the basis of an apportioned assessment. It was reported that local governments have adopted differing interpretations of this section. Consequently, the ability to apportion the tax may vary between localities.

E. Assessment of Motor Carrier Equipment

Section 58.1-3503 A. 5 provides that, subject to certain exceptions, trucks of greater than two tons shall be valued by means of either a recognized pricing guide using the lowest value specified in the guide or as a percentage or percentages of original cost. The valuing of property is performed by the local commissioner of revenue, who may take into account the condition of the property. Published guidebooks do not list values for all models of equipment or for equipment that is several years old. The lack of uniform statewide tax rates, methods of assessment, and determination of the taxable situs of motor carrier equipment was said to create administrative burdens to companies with trucks based in different localities.

F. Motor Vehicle Sales and Use Tax

Virginia levies a titling tax at the rate of three percent of the sales price of a motor vehicle, trailer, or semitrailer at the time it is initially titled in Virginia. For comparison, Maryland, West Virginia and Tennessee do not impose a sales and use tax on certain commercial motor vehicles, and North Carolina has established a cap on the titling tax of \$1,000. According to the Virginia Trucking Association, this difference is causing trucking companies to title vehicles in adjacent states.

G. Permanent Trailer Plates

The trucking industry expressed concerns about the administrative burden and compliance costs associated with annual registration of equipment. Seventeen states offer permanent trailer registrations. Virginia currently offers a 5-year trailer registration for fleets of over 50 trailers, pursuant to § 46.2-701.

Seventeen states offer permanent trailer registrations. A summary of state license plate provisions is attached as Appendix E. Potential benefits of permanent license plates include reduced administrative burdens and lower compliance costs. A critical issue in the adoption of a permanent trailer plate provision in Virginia would be setting an appropriate amount for a permanent trailer license plate. Trailers were reported to have a useful life of seven years. A revenue-neutral fee would generate funds with a present value equal to those that would be collected over a trailer's useful life, net of savings to the DMV from reduced administrative costs.

H. Dual Inspection of Commercial Motor Vehicles

The joint subcommittee was made aware of a related issue cited as an impediment to basing trucking equipment in Virginia. Currently, a Virginia-plated vehicle must undergo a Virginia inspection. Virginia's annual inspection program has been recognized by the federal Department of Transportation as meeting its annual inspection requirements. However, truck inspection enforcement officials in other states who are unaware of the federal recognition have held up Virginia-inspected vehicles because the vehicle did not display evidence of a current federal inspection. To avoid costly delays, trucking firms have an incentive either to incur the additional cost of complying with both state and federal inspection requirements or register and license their vehicles in states, such as North Carolina, that recognize the federal inspection in lieu of a state inspection.

The Virginia Trucking Association recommended that Virginia-registered commercial vehicles subject to federal motor carrier safety regulations with a valid federal annual inspection be exempted from the requirement of a Virginia vehicle safety inspection. Implementation of the recommendation would not adversely affect equipment safety, it was suggested, because commercial vehicles are subject to roadside inspections.

IV. Work of the Joint Subcommittee

A. Meetings of the Joint Subcommittee

The joint subcommittee was required by SJR 366 to report its findings and recommendations to the Governor and the 1996 Session of the General Assembly. In pursuing its legislative mandate, the joint subcommittee met three times.

- *June 15, 1995; Richmond.* At its organizational meeting, the joint subcommittee elected Senator Charles L. Waddell as its chairman and Delegate V. Earl Dickinson as its vice chairman. The initial meeting of the joint subcommittee featured an overview of the current system of taxing the equipment of motor carriers in the Commonwealth.
- *August 7, 1995; Richmond.* The second meeting of the joint subcommittee featured the presentation of the results of surveys conducted by the Commissioners of Revenue Association and the Virginia Trucking Association, discussed below. The members were also advised of difficulties associated with the implementation of Senate Bill 898 (1995), which capped the rate of tax on motor carrier equipment at the machinery and tools tax rate, and received a report on motor carrier equipment registration and titling tax trends. Mr. Urchie Ellis of Richmond cautioned the joint subcommittee to focus on the issue of whether large interstate tractor-trailer combinations are being registered in Virginia. He recommended that the SCC's data on motor fuels tax be reviewed to ascertain how many of the trucks traveling in the Commonwealth are paying property taxes here. He recommended that Virginia adopt a requirement of proportionate licensing, under which companies are required to base-register a percentage of their vehicles in Virginia equal to the percentage of total miles traveled in the Commonwealth.
- *December 18, 1995; Richmond.* The joint subcommittee received and considered recommendations submitted by the Virginia Trucking Association. The members endorsed three amendments to the provisions of the Virginia Code governing the taxation of equipment of motor carriers (Appendices F, G, and H). The joint subcommittee also endorsed a resolution requesting the Department of Motor Vehicles to study several outstanding issues (Appendix I). The recommendations of the joint subcommittee are discussed in Part V of this report.

In the course of its work, the joint subcommittee reviewed the findings of several previous studies of issues relating to the motor carrier industry, including:

V. Findings and Recommendations

The joint subcommittee recognized the importance of a healthy trucking industry to the economic well-being of the Commonwealth. The economic and administrative costs of compliance with the tax system should not put Virginia's trucking industry at a competitive disadvantage compared to other states in the region. If the climate for trucking firms becomes sufficiently inhospitable in Virginia, some may elect to base their operations in other states. If that happens, Virginia and its local governments stand to lose not only the tax revenues they otherwise could have collected, but also the jobs of the people employed in this important segment of the economy.

The joint subcommittee also recognized that SJR 366 asked that any changes to Virginia's system of taxing motor carrier equipment be revenue neutral to the greatest extent possible. The personal property tax is the third largest source of revenue for local governments, and the personal property tax on trucking equipment may be a large source of revenue in some communities. Moreover, the registration fees and titling taxes paid by the trucking industry are a major component of the revenues paid into the Highway Maintenance and Operating Fund and the Transportation Trust Fund.

In order to address some of the issues addressed during its study, the joint subcommittee recommended the following:

1. By legislation, amend the definition of "motor carrier transportation property." (Appendix F)

Pursuant to Senate Bill 898, the rate of the tangible personal property tax that may be levied on motor carrier transportation property shall not exceed a locality's machinery and tools tax rate. Localities had complained that the absence of a clear definition of this classification of property created administrative problems. The Virginia Trucking Association and the Commissioners of Revenue Association recommended that this classification of property be limited to motor vehicles, trailers, and semitrailers with a gross vehicle weight rating of 10,000 or more pounds used by a motor carrier engaged in interstate commerce. The joint subcommittee endorsed this recommendation with a clarification that it be limited to for hire trucks.

2. By legislation, allow localities that prorate the personal property tax on motor vehicles to exclude motor carrier transportation property from proration. (Appendix G)

The joint subcommittee heard that the application of prorated personal property tax to motor carriers' vehicles creates a significant administrative burden and cost. In response, the joint subcommittee endorsed a recommendation allowing the local ordinance to exclude motor carrier transportation property, defined as provided in the first recommendation. Currently, localities may exclude boats from their proration ordinances. Implementation of this recommendation would be at the option of local governments.

3. By legislation, clarify provisions regarding administration of the rolling stock tax and special regulatory revenue tax by the State Corporation Commission. (Appendix H)

Technical changes to the Code are necessary to ensure that common carriers of passengers issued a certificate of public convenience and necessity by the Department of Motor Vehicles after July 1, 1995, are eligible for the rolling stock tax. Currently the rolling stock tax applies only if the carrier is certificated by the State Corporation Commission, but the SCC no longer issues certificates to common carriers of passengers by motor vehicle. The Code should also be amended to reflect changes in federal law that have required the elimination of the rolling stock tax on common carriers of property by motor vehicle. Common carriers of property by motor vehicle should also be deleted from the list of regulated firms subject to the special regulatory revenue tax because they are no longer regulated by the SCC.

4. By joint resolution, request the Department of Motor Vehicles to (i) evaluate the option of a permanent trailer license plate and recommend a revenue-neutral fee; (ii) evaluate and analyze the fiscal impact of an exemption or a cap on the motor vehicle sales and use tax on heavy duty vehicles; (iii) study the advisability of allowing the acceptance of a valid federal annual inspection in lieu of state inspection for commercial vehicles; and (iv) cooperate with the Virginia Trucking Association and the Commissioners of Revenue Association in their exploration of a centrally-administered system for collecting ad valorem taxes on motor carrier equipment. (Appendix I)

The Virginia Trucking Association asked the members to offer permanent trailer registration for a one-time fee, but did not suggest a fee amount for the permanent trailer plate. Recognizing that the permanent trailer plate fee amount will have an effect on revenues, the members agreed to support a resolution asking the Department of Motor Vehicles to evaluate the issue and recommend an appropriate fee.

The joint subcommittee considered a recommendation that Virginia enact an exemption, or at least a competitive cap, on the titling tax for heavy

duty vehicles. It was acknowledged that implementation of this recommendation could affect the revenues of the Highway Maintenance and Operating Fund and the Transportation Trust Fund. The recommendation did not propose to define the class of vehicles that would be exempt from the motor vehicle sales and use tax or, if a cap on the tax liability is appropriate, what would be an appropriate cap amount. The joint subcommittee acknowledged that the Department would have access to the data needed to determine the cost to these funds of an exemption or a cap. The Department should analyze the fiscal impact of the recommendation.

The issue of dual state and federal safety inspections of motor carrier equipment was peripheral to the joint subcommittee's study of the system of taxing motor carrier equipment. Though the recommendation to eliminate the need for a state inspection for those commercial vehicles with a valid federal safety inspection seemed meritorious, the joint subcommittee was reluctant to endorse it without hearing the reactions of the Department of State Police and Motor Vehicles.

Representatives of the trucking industry met informally with commissioners of revenue on several occasions to discuss the tangible personal property tax on motor carrier transportation property. Though they reached a consensus on the issues of defining motor carrier transportation property and making proration of personal property tax on these vehicles a local option, the two groups were unable to reach agreement on a centrally-administered system for the tangible personal property tax. The groups agreed to continue to meet and work on this issue informally in the coming year.

The Virginia Trucking Association recommended that they and the Commissioners of the Revenue Association further explore development of a centrally-administered system for collection of ad valorem taxation of motor carrier equipment. The joint subcommittee encouraged the two groups to continue their work in this area, and recommended that the Department of Motor Vehicles, in addition to its other duties, study the advisability of instituting such a centrally-administered system. The Department of Taxation and the Department of State are requested to assist the Department of Motor Vehicles as may be needed.

The joint subcommittee extends its gratitude to all interested persons who contributed to its work.

Respectfully submitted,
Senator Charles L. Waddell, *Chairman*
Delegate V. Earl Dickinson, *Vice-Chairman*
Senator Virgil H. Goode, Jr.
Senator L. Louise Lucas
Delegate Jay W. DeBoer
Delegate Raymond R. Guest, Jr.
Delegate Joseph P. Johnson, Jr.

VI. Appendices

- Appendix A: Senate Joint Resolution 366 (1995)**
- Appendix B: Annual State and Local Taxes and Fees (All States)**
- Appendix C: State Property/Ad Valorem Taxes on Motor Carrier Equipment**
- Appendix D: State Vehicle Sales & Use Tax Provisions**
- Appendix E: State License Tax Provisions**
- Appendix F: Proposed legislation/ Definition of Motor Carrier Transportation Property**
- Appendix G: Proposed legislation/ Proration of Tax on Motor Carrier Transportation Property**
- Appendix H: Proposed legislation/ Administration of Rolling Stock Tax**
- Appendix I: Proposed legislation/ DMV Study**

Appendix A

1995 SESSION

LD3198605

SENATE JOINT RESOLUTION NO. 366

Offered January 23, 1995

Establishing a joint subcommittee to study the taxation of the equipment of motor carriers in the Commonwealth.

Patron--Waddell

Referred to the Committee on Rules

WHEREAS, equipment owned and operated by a motor carrier in Virginia is subject to ad valorem taxation either under the tangible personal property tax administered by the locality in which the equipment is normally garaged, docked or parked or under the rolling stock tax administered by the State Corporation Commission; and

WHEREAS, rates for local personal property taxation of motor carrier equipment vary among localities in the Commonwealth, and some localities tax such equipment at higher rates than other commercial and industrial property; and

WHEREAS, the burden of local personal property taxation of motor carrier equipment in Virginia is higher than in surrounding states; and

WHEREAS, methods of assessment and determining taxable situs of motor carrier equipment vary among localities in the Commonwealth, and some localities refuse to apportion property taxes on interstate vehicles; and

WHEREAS, the state rolling stock tax is assessed by the State Corporation Commission in lieu of local tangible personal property tax on equipment of a motor carrier operating over regular routes under a certificate of public need and necessity issued by the Commission; and

WHEREAS, the rolling stock tax is imposed at the rate of \$1 per \$100 of assessed value on equipment of certificated motor vehicle carriers that enters the Commonwealth, based on the carrier's Virginia miles, and is not limited to rolling stock domiciled in Virginia; and

WHEREAS, 12 certificated motor vehicle carriers are currently subject to the rolling stock tax; and

WHEREAS, both local personal property taxation of motor carrier equipment and the rolling stock tax impose tremendous record keeping and reporting burdens on motor carriers based in the Commonwealth; and

WHEREAS, federal legislation effective January 1, 1995, prohibits states from enforcing or enacting laws or regulations related to the price, route, or service of motor carriers transporting property other than household goods, and thereby negates the certificates of public convenience and necessity issued by the State Corporation Commission; and

WHEREAS, negation of certificates of public convenience and necessity may make motor carriers ineligible for taxation under the state rolling stock tax, thereby subjecting the 12 certificated carriers to significantly higher ad valorem taxation of their equipment under local tangible personal property tax ordinances; and

WHEREAS, the deregulation of the trucking industry may encourage motor carriers to register and domicile their equipment in other states in order to avail themselves of lower rates of ad valorem taxation; and

WHEREAS, the equipment of motor carriers is also subject to the Virginia Motor Vehicle Sales and Use Tax, collected by the Department of Motor Vehicles, which is levied at the rate of three percent of the equipment's price; and

WHEREAS, the current system of taxation makes it difficult for motor carriers based in the Commonwealth to compete with motor carriers based in lower-tax states; and

WHEREAS, the relocation of the equipment of motor carriers to other states may cause the Commonwealth and its localities to lose more tax revenues than they might otherwise receive if the taxation system was uniform and competitive with those of other states; now, therefore, be it

RESOLVED by the Senate, the House of Delegates concurring, That a joint subcommittee be established to study the taxation of motor carrier equipment in the Commonwealth. The joint subcommittee shall endeavor to recommend, if appropriate, a system of taxation of motor carrier equipment that (i) makes it more cost-effective for motor carriers to register their equipment in the Commonwealth than in other states; (ii) provides uniformity in assessments and rates; (iii) allows the tax to be apportioned based on the number of miles driven in Virginia; (iv) eases record keeping and reporting burdens; (v) provides clear criteria for determining the taxable situs of vehicles; and (vi) is revenue neutral to the greatest extent possible.

The joint subcommittee shall consist of seven members as follows: three members from the Senate to be appointed by the Senate Committee on Privileges and Elections; and four members from the House of Delegates to be appointed by the Speaker of the House.

The direct costs of this study shall not exceed \$4,200.

The Division of Legislative Services shall provide staff support for the study. Technical assistance shall be provided by the Department of Taxation, the State Corporation Commission, and the Department of Motor Vehicles.

The joint subcommittee shall complete its work in time to submit its findings and recommendations to the Governor and the 1996 Session of the General Assembly as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents.

Implementation of this resolution is subject to subsequent approval and certification by the Joint Rules Committee. The Committee may withhold expenditures or delay the period for the conduct of the study.

Appendix B

Annual State and Local Taxes and Fees, as of April 1, 1995
 For an 80,000 lb. GVW Five-Axle Tractor Semitrailer.

State	Diesel Tax: Cents/Gal. (1)	Fuel Tax Paid on 14,035 Gallons	Annual Reg. & Weight Fees (3)	Property Tax (5)	State Sales Tax	Sales Tax Purchase (6)	Sales Tax Parts & Service (16)	Total Sales Tax	Third Structure Tax Rate (cents/mt)	Third Structure Tax (17)	Total State Taxes & Fees	Rank
Arizona	26.00	\$3,649	\$2,123	\$2,400	5.00%	\$667	\$200	\$867	4.775	\$3,820	\$12,859	1
Oregon	0.00	\$0 (2)	\$330	NA	NA	NA	NA	NA	14.550	\$11,640	\$11,970	2
New York	33.41	\$4,589	\$1,014	NA	4.00%	E	E	E	6.600	\$5,280	\$10,983	3
Kentucky	19.20	\$2,595	\$1,282	\$926	6.00%	\$720	\$120	\$840	2.850	\$2,280	\$8,022	4
California	26.00	\$3,649	\$1,600	\$1,600	7.25%	\$967	\$145	\$1,112			\$7,961	5
Montana	27.75	\$3,895	\$1,749	\$1,955	NA	\$150 (10)	NA	\$150			\$7,748	6
Colorado	20.50	\$2,377	\$2,380	\$2,100	3.00%	E	\$60	\$60			\$7,417	7
Massachusetts	21.00	\$2,947	\$1,230	\$2,250	5.00%	\$667	\$200	\$867			\$7,294	8
Nevada	27.00	\$3,789	\$1,384	\$952	7.00%	\$933	\$140	\$1,073			\$7,199	9
Indiana	27.00	\$3,789	\$1,380	\$1,800	5.00%	E	E	E			\$6,969	10
Washington	23.00	\$3,228	\$1,626	\$2,044	6.50%	E	E	E			\$6,398	11
Idaho	21.00	\$2,947	\$135	NA	5.00%	E	\$100	\$100	4.490	\$3,592	\$6,774	12
Connecticut	18.00	\$2,526	\$1,555	\$2,449	6.00%	E	\$240	\$240			\$6,770	13
Kansas	20.00	\$2,307	\$1,760	\$1,929	4.25%	E	\$85	\$85			\$6,581	14
Virginia	19.50	\$2,737	\$1,222	\$2,153	3.00%	\$400	E	\$400			\$6,512	15
Maine	20.00	\$2,307	\$888	\$2,400	6.00%	E	\$120	\$120			\$6,215	16
Mississippi	18.00	\$2,526	\$2,372	NA	7.00%	\$400 (9)	\$280	\$680			\$6,078	17
New Mexico	18.00	\$2,526	\$143	NA	5.00%	\$667	\$200	\$867	3.168	\$2,534	\$6,070	18
Illinois	27.50	\$3,360	\$2,200	NA	6.25%	E	E	E			\$6,060	19
West Virginia	25.35	\$3,558	\$1,150	\$1,163	5.00%	E	E	E			\$5,870	20
Minnesota	20.00	\$2,307	\$1,760	NA	6.50%	\$867	\$130	\$997			\$5,564	21
Vermont	26.00	\$3,649	\$1,642	NA	5.00%	\$125 (15)	\$100	\$225			\$5,516	22
Arkansas	18.50	\$2,596	\$1,370	\$768	4.50%	\$600	\$180	\$780			\$5,514	23
North Carolina	21.95	\$3,081	\$930	\$1,042	4.00%	\$167 (11)	\$80	\$247			\$5,299	24
Florida	23.90	\$3,354	\$989	NA	6.00%	\$800	\$120	\$920			\$5,263	25
Wyoming	9.00	\$1,263	\$2,225	\$1,620	3.00%	E	\$120	\$120			\$5,228	26
Wisconsin	23.40	\$3,284	\$1,900	NA	5.50%	E	E	E			\$5,184	27
Pennsylvania	28.40	\$3,986	\$1,152	NA	6.00%	E	E	E			\$5,138	28
New Hampshire	18.00	\$2,526	\$736	\$1,800	NA	NA	NA	NA			\$5,062	29
Iowa	22.50	\$3,158	\$1,705	NA	4.00%	E	\$160	\$160			\$5,023	30
Missouri	15.00	\$2,105	\$1,727	\$1,180	4.23%	E	E	E			\$5,012	31
South Carolina	16.00	\$2,246	\$810	\$1,884	5.00%	\$50 (13)	E	\$50			\$4,990	32
Rhode Island	28.00	\$3,930	\$875	NA	7.00%	E	\$140	\$140			\$4,945	33

ATA Foundation

Annual State and Local Taxes and Fees, as of April 1, 1995
For an 30,000 lb. GVW Five-Axle Tractor Semitrailer.

State	Diesel Tax: Cents/Gal. (1)	Fuel Tax Paid on 14,335 Gallons	Annual Reg. & Weight Fees (3)	Property Tax (5)	State Sales Tax	Sales Tax Purchase (6)	Sales Tax Parts & Service (16)	Total Sales Tax	Third Structure Tax Rate (cents/mi)	Third Structure Tax (17)	Total State Taxes & Fees	Rank
Utah	19.00	\$2,667	\$601 (4)	\$1,360	6.25%	€	\$250	\$250			\$4,378	34
Ohio	25.00	\$3,509	\$1,367	NA	5.00%	€	€	€			\$4,375	35
Tennessee	18.00	\$2,526	\$1,415	\$577	5.50%	€	\$220	\$220			\$4,338	36
Maryland	24.25	\$3,403	\$1,300	NA	5.00%	€	€	€			\$4,704	37
Nebraska	24.00	\$3,368	\$1,281	NA	4.00%	€	€	€			\$4,649	38
Delaware	22.00	\$3,088	\$1,220	NA	2.00%	\$267 (8)	NA	\$267			\$4,554	39
South Dakota	18.00	\$2,526	\$1,460	NA	6.00%	\$400 (14)	\$240	\$640			\$4,526	40
Texas	20.00	\$2,307	\$855	NA	6.25%	\$833	\$125	\$958			\$4,520	41
Louisiana	20.00	\$2,307	\$970	NA	4.00%	\$533	\$160	\$693			\$4,470	42
Alabama	19.00	\$2,667	\$800	\$674	4.00%	\$267 (7)	\$40	\$307			\$4,447	43
Michigan	15.60	\$2,189	\$1,306	NA	6.00%	\$800	\$120	\$920			\$4,415	44
North Dakota	18.00	\$2,526	\$1,056	NA	5.00%	\$667	\$100	\$767			\$4,349	45
Georgia	11.90	\$1,570	\$737	\$1,239	4.00%	€	€	€			\$3,546	46
Hawaii	16.00	\$2,246	\$400	NA	4.00%	\$533	\$160	\$693			\$3,339	47
New Jersey	13.50	\$1,395	\$862	NA	7.00%	€	\$280	\$280			\$3,337	48
Oklahoma	13.00	\$1,325	\$991	NA	4.50%	\$2 (12)	\$90	\$92			\$2,707	49
Alaska	3.00	\$1,123	\$307	NA	NA	NA	NA	NA			\$1,430	50
Average	20.28	\$2,347	\$1,257	\$765	4.71%	\$250	\$94	\$344			\$5,795	

- Footnotes: (1) Diesel fuel tax rates include fuel sales taxes, report taxes, surcharges and oil franchise taxes, where applicable.
- (2) Vehicles are taxed through the weight-distance structure.
- (3) Includes semitrailer registration fees.
- (4) Does not include an Equalized Highway Use Tax of \$600 for proportionally registered vehicles.
- (5) Property taxes reflect either a property tax, county fee, excise tax, etc. Taxes are calculated for the first taxable year of vehicle ownership using either the manufacturers' list price (\$100,000) or the average retail value (\$80,000), depending on the state's procedure. After the first year, these taxes decrease due to decreases in the assessed value. Mill rates often vary across a state, so a state's average mill rate is used in the calculations, where applicable.
- (6) Sales tax is calculated for the purchase of an \$80,000 tractor and semitrailer combination and discounted over six years.

- (7) Alabama has a sales tax of 2% on motor vehicles.
- (8) Delaware charges a vehicle document fee of 2% on the purchase price on every vehicle when sold/transferred.
- (9) Mississippi has a sales tax of 3% on motor vehicles and 7% on parts and labor.
- (10) Montana does not have a sales tax. Motor vehicles are taxed under a separate provision.
- (11) North Carolina maintains a cap of \$1,000 on the purchase of a new truck.
- (12) Oklahoma maintains a cap of \$10 on the purchase of a new truck (with combined weight over 54,001 pounds) or any trailer.
- (13) South Carolina maintains a cap of \$300 on the purchase of a new truck.
- (14) South Dakota has a sales tax of 3% on motor vehicles and 6% on parts and labor.
- (15) Vermont maintains a cap of \$750 on the purchase of a new truck.
- (16) Sales tax is calculated for \$2,000 in parts and for \$2,000 in service labor costs, where applicable.
- (17) Ton-mile taxes are calculated for 80,000 miles annually.

Sources: American Trucking Associations, State Laws Department; State Departments of Revenue; City and County Property Tax and Assessors Offices; and Motor Vehicle Registry Divisions.

Appendix C

STATE PROPERTY/AD VALOREM TAXES

ON MOTOR CARRIER EQUIPMENT

STATE	TAX PROVISIONS
Alabama	Locally assessed and collected based on 30% of the fair and reasonable market value of equipment owned the previous October 1.
Arkansas	Equipment is assessed by the Tax Division of the AR Public Service Commission based on 20% of the true and full market or actual value of equipment. The value is apportioned according to miles in AR to total miles everywhere. The Tax Division then levies on the apportioned value the average rate of ad valorem tax prevailing throughout the State and certifies such tax to the Commissioner of Revenue for collection.
Connecticut	Equipment is taxed at a uniform percentage of its present true and actual valuation, not to exceed 100% of such valuation by local governments that fix the rates each year. Each local government is required to use October 1 as the assessment date.
Georgia	Tax is levied by local governments on property owned on Jan. 1 and is assessed based on 40% of the fair market value. The value basis for the tax on interstate vehicles is apportioned according to Georgia miles.
Indiana	Tax is imposed by the State on all property located within the state and assessed based on 33 1/3% of the true cash value of the property. Assessment date is March 1. The value of interstate carriers transportation property is apportioned according to Indiana miles of the fleet.
Kansas	The Director of Property Valuation values and assesses all over-the-road motor vehicles. Value is apportioned according to Kansas miles. The Director of Property Taxation levies the tax at a rate equal the average rate of levy for all purposes in the several taxing districts of the State for the preceding year.
Kentucky	Interstate motor vehicles are assessed for property taxes by the KY Revenue Cabinet and are subject to state taxation only. The value is apportioned according to Kentucky miles. State rate is 67.5¢/\$100.
Maine	Tax is assessed and collected by localities. Tax is assessed on April at its "just value" (market value). The locality where trucking property is situated the longest imposes the tax. Property legally registered elsewhere and tax is paid on such is not subject to tax in Maine.
Missouri	Local tax assessed at 33 1/3% of its true value. Rates varies among localities. Equipment of carriers with a terminal in Missouri is subject to the tax in the locality where the terminal is located.

Montana	<p>Vehicles which are part of interstate motor vehicle fleets are valued and assessed by the MT Dept. of Revenue as follows: depreciated value determined by a depreciation schedule; depreciated value is multiplied by percentage of MT miles to determine the assessed value; the sum of the assessed market value of all taxable vehicles included in the fleet is multiplied by 9% to determine the taxable value for the entire fleet.</p> <p>An interstate motor vehicle fleet's personal property tax rate is determined by the Dept. of Revenue. The amount of tax due is determined by multiplying the taxable value of the entire fleet by the statewide average county mill levy plus a state levy of 45 mills of taxable value for trucks and truck tractors with a licensed or gross vehicle weight of 26,000 lbs. or more.</p>
North Carolina	<p>There are special procedures for for-hire motor freight carriers with terminals located in the State. The NC Dept. of Revenue determines the appraised value of all rolling stock (apportioned according to NC miles for interstate carriers), and based on the total tons of freight handled by each terminal within the State, assigns a portion of the appraised value to the appropriate taxing authority. Each local taxing authority upon receiving the assessed valuations levies a tax at its current tax rate against the rolling stock.</p>
Rhode Island	<p>Taxes are assessed and collected by cities and towns. Taxes are measured by the full and fair cash value (or at a uniform percentage thereof) of all tangible personal property located in Rhode Island on December 31. Each locality can determine its own method of assessment, but is required to have uniform assessments not to exceed %100 of full and fair cash property value. The rate of tax varies from locality to locality.</p>
South Carolina	<p>Local tax on equipment located in the State. Property is valued at its fair market value by either local boards of assessors or the county board of equalization. Property owned by or leased to a transportation company is required to be assessed and taxed at an assessment equal to 9½% of fair market value.</p>
Tennessee	<p>Tax is levied by local jurisdictions of the State. The TN Public Service Commission assesses all property of for-hire motor carriers domiciled in TN and/or owning or leasing real or personal property located in the State. Motor carrier equipment is assessed at 55% of its value. Rolling stock is apportioned to the localities by the Commission after considering several factors where appropriate, including ratio of miles traveled in the locality to miles traveled in the state; ratio of original cost of property in the locality to the original cost of property in the State; ratio of ground hours and gross revenue in the locality to ground hours and gross revenue in the State, as well as other factors that will help determine apportionment.</p>
Texas	<p>Motor vehicles used for business purposes are taxable only by the county in which the owner has its principal place of basis. The rate is the aggregate of all levies for State, county, municipal and district purposes within constitutional or statutory limits. Assessment is done by Appraisal Districts created with each county.</p>
Utah	<p>Statewide uniform fee of 1.7% imposed on the fair market value of motor vehicles and other vehicles required to be registered with Utah. Interstate motor carriers are exempt from the uniform fee or other property taxes.</p>
West Virginia	<p>Local tax assessed and collected by assessor of the county in which the principal place of business is situated or in which the property is located. Rate is limited to maximum of \$1.50/\$100 or \$2.00/\$100.</p>

STATES THAT DO NOT IMPOSE PROPERTY TAX,

EXEMPT MOTOR CARRIER EQUIPMENT, OR

IMPOSE AN "IN LIEU" TAX

STATE	TAX PROVISION/EXEMPTION
Arizona	Motor vehicles registered for operation on AZ highways are subject to the License Tax and are exempt from property tax.
California	Vehicles located in CA that are subject to registration with the Dept. of Motor Vehicles are not considered taxable personal property.
Colorado	Equipment subject to the motor vehicle ownership tax is exempt from personal property tax. The motor vehicle ownership tax is imposed on the taxable value of vehicles. This value is dependent upon the "specific class" of such vehicle as well as the age of the vehicle. Dependent upon the class of motor vehicle, the tax may be collected by the Department of Revenue, the Manager of Revenue or the County Clerk and Recorder.
Delaware	Tangible personal property is specifically exempt from property taxation.
District of Columbia	Motor vehicles and trailers that are registered and do not comprise the inventory of a dealer are exempt from property tax.
Florida	Motor vehicles are subject to license tax and are not subject to ad valorem taxes.
Idaho	Motor vehicles and trailers properly registered and for which the required registration fee has been paid are exempt from property taxation.
Illinois	Corporate personal property tax was abolished in 1979.
Iowa	Iowa personal property tax was repealed in 1987.
Louisiana	Motor vehicles used on the public highways of the State are specifically exempt from property taxes. Truck trailers and semitrailers are not exempt from property taxes as motor vehicles because they are not self-propelled.
Maryland	Class A through J motor vehicles (passenger vehicles, trucks, trailers and buses) registered in MD or another jurisdiction under the IRP are specifically exempt from the MD valuation and property tax.
Massachusetts	Imposes an excise tax on motor vehicles in lieu of property tax. Assessments are computed on the basis of value, as determined by the MA Commissioner of Revenue, but may not exceed the following: Year of Manufacture - 90% of list price; 2nd Year - 60% of list price; 3rd Year - 40% of list price; 4th Year - 25% of list price; 5th & Succeeding Years - 10% of list price. The rate of tax is \$25 per \$1,000 of valuation.
Michigan	Motor vehicles subject to registration fees are specifically exempt from property taxes.

Minnesota	Motor Vehicles using the public highways which are subject to an excise tax at the time of registration are exempt from property tax.
Mississippi	All motor vehicles operated in Mississippi as common and contract carriers, private commercial carriers, private carriers of property and buses that have a gross weight in excess of 10,000 lbs. are exempt from property tax. Semitrailers used in interstate commerce are exempt from property tax.
Montana	Trailers and semitrailers registered through a proportional registration agreement (IRP) are exempt from property tax. Trailers and semitrailers with a licensed gross weight of 26,000 lbs. or more are also exempt.
Nebraska	A motor vehicle tax is imposed on motor vehicles, trailers and semitrailers registered for operation upon NE highways in lieu of property taxation. The annual tax is based on the value of the motor vehicle at a rate equal to the property tax rate for all purposes for the preceding years in the several taxing units of the state in which the motor vehicle has situs. Interstate motor vehicle fleets (1 or more vehicles with 3 axles or more with a gross weight of 26,000 lbs. or greater and used to transport property in 2 or more states) are valued based on apportioned mileage within and without the state. The tax is collected at the time of registration (by Jan. 1), except in the case of nonresident carriers for which the tax is payable on or before December 1.
Nevada	Imposes a motor vehicle privilege tax on all motor vehicles in the State in lieu of property tax on such vehicles. The tax is assessed by the Dept. of Revenue at the rate of \$.04 per each \$1 vehicle valuation. The valuation is dependent upon the weight of the vehicle as well as the age of the vehicle. Interstate carriers may prorate the tax using the percentage of NV miles. The tax is due and payable on the first day of the registration year and is paid with the registration or renewal fee.
New Hampshire	Personal property taxes do not apply to interstate carriers. NH-based commercial vehicles are subject to permit fees in lieu of property taxes. The permit fees are based on the cost of the vehicle and age and range from 17 mills when new to 3 mills after the 5th year.
New Jersey	Any motor vehicle registered in the State is exempt from the business personal property tax.
New Mexico	Motor vehicles register under the provisions of the Motor Vehicle Code are exempt from property taxation.
New York	Tangible personal property is specifically exempt from property taxation.
North Dakota	Registration of motor vehicles and trailers is in lieu of personal property taxes.
Ohio	Registered motor vehicles are specifically exempt from property taxes. Any truck or trailer that has been licensed to operate on Ohio's roads is exempt to the extent that its weight was included in determining the amount of the highway use tax.

Oklahoma	Registered motor vehicles are specifically exempt from property taxation.
Oregon	Registration and license fees imposed upon vehicles are in lieu of property taxes.
Pennsylvania	Tangible personal property is exempt from property taxes.
South Dakota	Motor vehicles subject to license fees are exempt from property taxes.
Vermont	Trucking companies pay a "state excise tax" on their registered Vermont vehicles and trailers in lieu of a "local" property tax.
Washington	Licensed motor vehicles are exempt from the property tax.
Wisconsin	Most motor vehicles, including trucks, tractors, trailers and semitrailers are exempt fro property taxation.
Wyoming	State and county registration fees on motor vehicles, motor trucks and trailers are in lieu of all property taxes.

Appendix D

STATE VEHICLE SALES & USE TAXES PROVISIONS
(Excluding Alaska, Hawaii & District of Columbia)

States Without A Vehicle Sales Tax or An Exemption For Commercial Vehicles:

STATE	EXEMPTION PROVISIONS
COLORADO	Tractors, trucks & trailers, if purchased for use exclusively outside the state or in interstate commerce delivered in CO by the manufacturer and removed from CO within 30 days of delivery, are exempt.
CONNECTICUT	Tractors, trucks, semitrailers and vehicles used in combination therewith that (1) have a g.v.w. in excess of 26,000 lbs., or (2) are operated actively and exclusively in carrying interstate freight pursuant to a certificate or permit issued by the ICC.
GEORGIA	Vehicles and property used principally to cross borders of GA in the services of transporting cargo by common carrier and by carriers who hold common carrier and contract carrier authority in interstate commerce are exempt.
IDAHO	Motor vehicles with gross registered weight over 26,000 lbs., if registered under the IRP and trailers registered as part of a fleet under the IRP, if the vehicles are used substantially (10% or more) in interstate commerce are exempt.
ILLINOIS	Rolling stock used in interstate commerce are exempt.
INDIANA	Vehicles and items of for-hire carriers directly used in providing transportation service are exempt.
IOWA	Vehicles, trailers & semitrailers with a g.v.w. of 26,000 lbs. or more, if registered or operated under the IRP and used substantially (75%) or more in interstate commerce are exempt.
KANSAS	Vehicles and property used directly and immediately in interstate commerce by motor carriers authorized by the ICC as common carriers are exempt.
MAINE	Vehicles used in interstate commerce within 30 days of sale and at least 80% in interstate commerce over the next 2 years are exempt.
MARYLAND	Motor vehicles used principally in interstate commerce and more than 50% of the total mileage travelled by the vehicle is between delivery points in two or more states are exempt.
MISSOURI	Motor vehicles licensed for a g.v.w. of 24,000 lbs. or more, or trailers used by common carriers solely in the transportation of property in interstate commerce are exempt.
NEBRASKA	Motor vehicles used predominately (at least 50%) as common carriers or contract carriers are exempt.

NEW HAMPSHIRE	Does not impose a sales or use tax
NEW JERSEY	Vehicles with a g.v.w. in excess of 26,000 lbs. or are operated exclusively for the transportation of interstate freight pursuant to a certificate or permit issued by the ICC.
NEW YORK	Tractors, trailers or semitrailers used in combination with a g.v.w. of such combination exceeds 26,000 lbs.
OHIO	Motor vehicles used primarily for transportation of property for hire are exempt.
OREGON	Does not impose a sales and use tax
PENNSYLVANIA	Motor vehicles and property to be used in direct rendition of common carrier service under a certificate issued by the state or the ICC are exempt.
RHODE ISLAND	Tractors and trailers of trucking companies exclusively engaged in interstate commerce are exempt.
TENNESSEE	Rolling stock purchased or used by a common carrier, which enters the state in interstate commerce and is continually used in interstate commerce is exempt.
TEXAS	Rolling Stock of common carriers used continuously in interstate commerce are exempt.
UTAH	Trucks, trailers, tractors or tractor-trailer combinations purchased for use in interstate commerce by a carrier subject to ICC regulation or registered under the IRP or IFTA are exempt.
WASHINGTON	Vehicles engaged in interstate transportation are exempt.
WEST VIRGINIA	Vehicles with a gross weight over 55,000 lbs. and semitrailers and trailers are exempt.
WISCONSIN	Tractors and trailers used exclusively by common or contract carriers are exempt.
WYOMING	Tractors and trailers used extensively in interstate commerce are exempt.

States That Impose an Apportioned, Prorated or Maximum Vehicle Sales Tax

STATE	APPORTIONMENT/MAXIMUM TAX PROVISION
FLORIDA	Vehicles licensed as common carriers by the ICC and parts thereof used to transport property in interstate commerce are taxable at 6%, based on ratio of intrastate to interstate mileage travelled during the previous year.
LOUISIANA	Motor carriers operating in interstate commerce may elect to register as dealers and pay tax based on the ratio of LA miles to total miles.
MINNESOTA	Motor carriers engaged in interstate transportation may pay a prorated tax on trucks, tractors and trailers purchased for use in interstate commerce based on the ratio of MN miles to total miles.
NORTH CAROLINA	Motor vehicles are taxable at 3% with a minimum tax of \$40 and a maximum tax of \$1,000.
NORTH DAKOTA	The tax is apportioned based on the ratio of ND miles to total miles.
OKLAHOMA	Maximum tax of \$10 on trucks and tractors with laden or combined weight over 54,000 lbs., and trailers and semitrailers primarily designed to carry cargo over the highways.
SOUTH CAROLINA	maximum tax on motor vehicles is \$300.
VERMONT	Motor vehicles are taxable at 5% of the purchase cost or \$750 per vehicle, whichever is smaller

States That Impose A Vehicle Sales Tax

<u>STATE</u>	<u>RATE</u>
ALABAMA	4%
ARIZONA	5%
ARKANSAS	4.5%
CALIFORNIA	6%
DELAWARE	2% Document Fee
KENTUCKY	6%
MASSACHUSETTS	5%
MICHIGAN	6%
MISSISSIPPI	3%
NEVADA	6.5%
NEW MEXICO	3%
SOUTH DAKOTA	5%
VIRGINIA	3%

Appendix E

STATE LICENSE PLATE PROVISIONS

STATES THAT OFFER PERMANENT TRAILER LICENSE PLATES

<u>STATE</u>	<u>PERMANENT PLATE PROVISIONS/FEE</u>
ARKANSAS	Permanent Plate / \$65
FLORIDA	Permanent Plate available to owners of 100 or more vehicles / \$10 plus \$1 per hundred weight of the trailer per year
GEORGIA	Permanent Plate / \$48
INDIANA	Permanent Plate / \$65 for 1st year plus \$2 annual renewal fee OR 3-year plate for \$60
KENTUCKY	Permanent Plate / \$97.50
MINNESOTA	Trailer Plates issued for identification only / Fees paid on power unit when registered as a combination
MISSISSIPPI	Permanent Plate / \$10
MISSOURI	Permanent Plate / \$52.50
NEBRASKA	Permanent Plate for IRP-registered trailers / \$6
NEW MEXICO	Permanent Plate / \$10
NORTH CAROLINA	Permanent Plate / \$75
OKLAHOMA	Permanent Plate for owners of 10 or more / \$40 for 1st Year plus \$4 annual renewal fee
OREGON	Permanent Plate / \$10
SOUTH CAROLINA	Permanent Plate / \$75
SOUTH DAKOTA	Permanent Plate / \$10
TENNESSEE	Permanent Plate / \$50
UTAH	Permanent Plate / \$100 OR \$10 per year

STATES THAT OFFER MULTIPLE-YEAR PLATES

<u>STATE</u>	<u>MULTIPLE-YEAR PLATE PROVISIONS/FEE</u>
ALABAMA	5-Year Plate / \$20 per year
CONNECTICUT	5-Year Plate / \$35 per year
DELAWARE	5-Year Plate for owner of 15 or more vehicles / \$20 per year
IDAHO	5-Year Plate / \$15 per year
ILLINOIS	5-Year Plate / \$60
IOWA	6-Year Plate / \$50
KANSAS	5-Year Plate / \$35 per year
LOUISIANA	4-Year Plate / \$40
MAINE	Option to register for 2 to 12 years at \$10 per year (allows prorated refund) OR for up to 20 years for fleets of 1,000 or more vehicles at \$10 per year
MARYLAND	Allows multiple year registration for fleets of at least 5 vehicles at \$20.25 per year
MASSACHUSETTS	5-Year Plate / \$30 per year
MICHIGAN	5-Year Plate / \$39 per year
NEW JERSEY	4-Year Plate / \$64 (allows prorated refund of \$16 per year for unused portion)
NORTH DAKOTA	6-Year Plate for owners of 100 or more vehicles / \$20 per year
PENNSYLVANIA	5-Year Plate at \$27 per year
VIRGINIA	5-Year Plate for owners of 50 or more trailers at \$22 per year
WEST VIRGINIA	10-Year Plate valid until 2000 / \$110 (fee is prorated based on time left in 10-year period)
WISCONSIN	6-Year Plate for IRP-registered vehicles at \$15 per year AND Permanent Plate for Non-IRP registered vehicles for \$50

STATES THAT OFFER ANNUAL PLATE ONLY

<u>STATE</u>	<u>ANNUAL FEE</u>
ARIZONA	\$49
CALIFORNIA	Fee varies based on weight of trailer
COLORADO	\$10
DISTRICT OF COLUMBIA	Fee varies based on weight of trailer
MONTANA	\$15.25
NEVADA	\$24
NEW HAMPSHIRE	\$24 (for trailers not registered as a combination)
NEW YORK	\$23
OHIO	\$25
RHODE ISLAND	\$5 for trailer registered as a combination OR \$5 per trailer up to 10 trailers per each tractor registered
TEXAS	\$15
VERMONT	\$20
WASHINGTON	\$36 (if not registered in combination with tractor or power unit)
WYOMING	Fee varies based on registered weight of combination

Appendix F

1 A BILL to amend and reenact § 58.1-3506 of the Code of Virginia, relating to
2 classification of tangible personal property for taxation.

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

4 **1. That § 58.1-3506 of the Code of Virginia is amended and reenacted as**
5 **follows:**

6 § 58.1-3506. Other classifications of tangible personal property for taxation.

7 A. The items of property set forth below are each declared to be a separate
8 class of property and shall constitute a classification for local taxation separate
9 from other classifications of tangible personal property provided in this chapter:

10 1. Boats or watercraft weighing five tons or more;

11 2. Aircraft having a maximum passenger seating capacity of no more than
12 fifty which are owned and operated by scheduled air carriers operating under
13 certificates of public convenience and necessity issued by the State Corporation
14 Commission or the Civil Aeronautics Board;

15 3. All other aircraft not included in subdivision A 2 and flight simulators;

16 4. Antique automobiles as defined in § 46.2-100;

17 5. Tangible personal property used in a research and development
18 business;

19 6. Heavy construction machinery including but not limited to land movers,
20 bulldozers, front-end loaders, graders, packers, power shovels, cranes, pile drivers,
21 forest harvesting equipment and ditch and other types of diggers;

22 7. Generating equipment purchased after December 31, 1974, for the
23 purpose of changing the energy source of a manufacturing plant from oil or natural
24 gas to coal, wood, wood bark, wood residue, or any other alternative energy source
25 for use in manufacturing and any cogeneration equipment purchased to achieve

1 more efficient use of any energy source. Such generating equipment and
2 cogeneration equipment shall include, without limitation, such equipment
3 purchased by firms engaged in the business of generating electricity or steam, or
4 both;

5 8. Vehicles without motive power, used or designed to be used as
6 manufactured homes as defined in § 36-85.3;

7 9. Computer hardware used by businesses primarily engaged in providing
8 data processing services to other nonrelated or nonaffiliated businesses;

9 10. Privately owned pleasure boats and watercraft used for recreational
10 purposes only;

11 11. Privately owned vans with a seating capacity for twelve or more persons
12 used exclusively pursuant to a ridesharing arrangement as defined in § 46.2-1400;

13 12. Motor vehicles specially equipped to provide transportation for physically
14 handicapped individuals;

15 13. Motor vehicles owned by members of a volunteer rescue squad or
16 volunteer fire department. One motor vehicle which is owned by each volunteer
17 rescue squad member or volunteer fire department member may be specially
18 classified under this section, provided the volunteer rescue squad member or
19 volunteer fire department member regularly responds to emergency calls. In
20 January of each year, the said volunteer shall furnish the commissioner of revenue,
21 or other assessing officer, with a certification by the chief or head of the volunteer
22 organization, that said volunteer is a member of the volunteer rescue squad or fire
23 department who regularly responds to calls or regularly performs other duties for
24 the rescue squad or fire department, and the motor vehicle owned by the volunteer
25 rescue squad member or volunteer fire department member is identified. In any
26 county which prorates the assessment of tangible personal property pursuant to §
27 58.1-3516, a replacement vehicle may be certified and classified pursuant to this

1 subsection when the vehicle certified as of the immediately prior January date is
2 transferred during the tax year;

3 14. Motor vehicles owned by auxiliary members of a volunteer rescue squad
4 or volunteer fire department. One motor vehicle which is regularly used by each
5 auxiliary volunteer fire department or rescue squad member may be specially
6 classified under this section. In January of each year, the auxiliary member shall
7 furnish the commissioner of revenue, or other assessing officer, with a certification
8 by the chief or head of the volunteer organization, that the volunteer is an auxiliary
9 member of the volunteer rescue squad or fire department who regularly performs
10 duties for the rescue squad or fire department, and the motor vehicle is identified
11 as regularly used for such purpose; however, if a volunteer rescue squad or fire
12 department member and an auxiliary member are members of the same household,
13 that household shall be allowed only one special classification under this
14 subdivision or subdivision 13 of this section;

15 15. Motor vehicles owned by a nonprofit organization and used to deliver
16 meals to homebound persons or provide transportation to senior or handicapped
17 citizens in the community to carry out the purposes of the nonprofit organization;

18 16. Privately owned camping trailers and motor homes as defined in § 46.2-
19 100 which are used for recreational purposes only;

20 17. One motor vehicle owned and regularly used by a veteran who has
21 either lost, or lost the use of, one or both legs, or an arm or a hand, or who is blind
22 or who is permanently and totally disabled as certified by the Department of
23 Veterans' Affairs. In order to qualify the veteran shall provide a written statement to
24 the commissioner of revenue or other assessing officer from the Department of
25 Veterans' Affairs that the veteran has been so designated or classified by the
26 Department of Veterans' Affairs as to meet the requirements of this section, and

1 that his disability is service-connected. For purposes of this section a person is
2 blind if he meets the provisions of § 46.2-739;

3 18. Motor vehicles owned by persons who have been appointed to serve as
4 auxiliary police officers pursuant to § 15.1-159.2 et seq. One motor vehicle which is
5 regularly used by each auxiliary police officer to respond to auxiliary police duties
6 may be specially classified under this section. In order to qualify for such
7 classification, in January of each year, any auxiliary police officer who applies for
8 such classification shall identify the vehicle for which this classification is sought,
9 and shall furnish the commissioner of revenue or other assessing officer with a
10 certification from the governing body which has appointed such auxiliary police
11 officer or from the official who has appointed such auxiliary officers. That
12 certification shall state that the applicant is an auxiliary police officer who regularly
13 uses a motor vehicle to respond to auxiliary police duties, and it shall state that the
14 vehicle for which the classification is sought is the vehicle which is regularly used
15 for that purpose;

16 19. Machines and tools owned by a commercial air carrier which uses such
17 machines and tools in a commercial airline maintenance, repair, and rebuilding
18 facility, which has an assessed value of at least \$100,000,000 and which is located
19 on or contiguous to an airport;

20 20. Motor vehicles which use clean special fuels as defined in § 58.1-2101;

21 21. Wild or exotic animals kept for public exhibition in an indoor or outdoor
22 facility which is properly licensed by the federal government, the Commonwealth, or
23 both, and which is properly zoned for such use. "Wild animals" means any animals
24 which are found in the wild, or in a wild state, within the boundaries of the United
25 States, its territories or possessions. "Exotic animals" means any animals which are
26 found in the wild, or in a wild state, and are native to a foreign country;

1 22. Furniture, office, and maintenance equipment, exclusive of motor
2 vehicles, which are owned and used by an organization whose real property is
3 assessed in accordance with § 58.1-3284.1 and which is used by that organization
4 for the purpose of maintaining or using the open or common space within a
5 residential development; and

6 23. ~~Motor vehicles owned or used by a motor carrier as defined in § 56-273,~~
7 ~~and motor carrier transportation property as defined in 49 U.S.C. § 11503a (a) (3),~~
8 ~~exclusive of rolling stock of a certificated motor vehicle carrier subject to taxation~~
9 ~~pursuant to Article 5 (§ 58.1-2652 et seq.) of Chapter 26 of this title, trailers and~~
10 ~~semitrailers with a gross vehicle weight rating of 10,000 pounds or more used to~~
11 ~~transport property for hire by a motor carrier engaged in interstate commerce.~~

12 B. The governing body of any county, city or town may levy a tax on the
13 property enumerated in subsection A at different rates from the tax levied on other
14 tangible personal property. The rates of tax and the rates of assessment shall (i) for
15 purposes of subdivisions 1, 2, 3, 4, 6, 9 through 18, and 20 through 22 of
16 subsection A, not exceed that applicable to the general class of tangible personal
17 property, (ii) for purposes of subdivisions A 5, A 7, A 19, and A 23, not exceed that
18 applicable to machinery and tools, and (iii) for purposes of subdivision A 8, equal
19 that applicable to real property.

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Appendix G

1 A BILL to amend and reenact § 58.1-3516 of the Code of Virginia, relating to
2 proration of personal property tax.

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

4 **1. That § 58.1-3516 of the Code of Virginia is amended and reenacted as**
5 **follows:**

6 § 58.1-3516. Proration of personal property tax.

7 A. The governing body of any county, city or town may provide by ordinance
8 for the levy and collection of personal property tax on motor vehicles, trailers,
9 semitrailers, and boats which have acquired a situs within such locality after the tax
10 day for the balance of the tax year. Such tax shall be prorated on a monthly basis.
11 Such ordinance may exclude boats or motor vehicles, trailers, and semitrailers with
12 a gross vehicle weight rating of 10,000 pounds or more used to transport property
13 for hire by a motor carrier engaged in interstate commerce, or both, from the
14 property subject to proration of the personal property tax. For purposes of
15 proration, a period of more than one-half of a month shall be counted as a full
16 month and a period of less than one-half of a month shall not be counted.

17 Such ordinance shall also provide for relief from tax and a refund of the
18 appropriate amount of tax already paid, which shall be prorated on a monthly basis,
19 where any motor vehicle, trailer, semitrailer, or boat loses its situs within such
20 locality after the tax day or after the day on which it acquires a situs (hereafter
21 "situs day"). No refund shall be made if the motor vehicle, trailer, semitrailer, or
22 boat acquires a situs within the Commonwealth in a nonprorating locality. When
23 any person sells or otherwise transfers title to a motor vehicle, trailer, semitrailer, or
24 boat with a situs in the locality after the tax day or situs day, the tax shall be
25 relieved, prorated on a monthly basis, and the appropriate amount of tax already

1 paid shall be refunded or credited, at the option of the taxpayer, against the tax due
2 on any motor vehicle, trailer, semitrailer, or boat owned by the taxpayer during the
3 same tax year by the treasurer of such locality. Such refund shall be made within
4 thirty days of the date such tax is relieved. No refund of less than five dollars shall
5 be issued to a taxpayer, unless specifically requested by the taxpayer. When any
6 person, after the tax day or situs day, acquires a motor vehicle, trailer, semitrailer,
7 or boat with a situs in the locality, the tax shall be assessed on the motor vehicle,
8 trailer, or boat for the portion of the tax year during which the new owner owns the
9 motor vehicle, trailer, semitrailer, or boat and it has a situs within the locality.

10 Any person who moves from a nonprorating locality to a prorating locality in
11 a single tax year shall be entitled to a property tax credit in the prorating jurisdiction
12 if (i) the person was liable for personal property taxes on a motor vehicle and has
13 paid those taxes to a nonprorating locality and (ii) the owner replaces for any
14 reason the original vehicle upon which taxes are due to the nonprorating locality for
15 the same tax year. The prorating locality shall provide a credit against the total tax
16 due on the replacement vehicle in an amount equal to the tax paid to the
17 nonprorating locality for the period of time commencing with the disposition of the
18 original vehicle and continuing through the close of the tax year in which the owner
19 incurred tax liability to the nonprorating locality for the original vehicle.

20 B. Such ordinance shall provide for the filing of returns and payment of such
21 tax. Such ordinance shall also exempt property from the levy of such personal
22 property tax for any tax year or portion thereof during which the property was
23 legally assessed by another jurisdiction in the Commonwealth and the tax paid.
24 Such ordinance may provide that, notwithstanding any other date for billing and
25 payment of local personal property tax, the locality may bill all personal property
26 taxes assessed for a portion of the tax year less than the full year on or after
27 December 15 of each year. The ordinance may further provide that such taxes shall

1 be due not less than thirty days after the date of the tax bill. If the tax is not paid
2 when due, the penalty and the interest otherwise provided for by § 58.1-3916 shall
3 be imposed based on the established due date.

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Appendix H

SENATE BILL NO. _____ HOUSE BILL NO. _____

1 A BILL to amend and reenact §§ 58.1-2600 and 58.1-2660 of the Code of Virginia,
2 relating to taxation of common carriers of property by the State Corporation
3 Commission.

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

5 **1. That §§ 58.1-2600 and 58.1-2660 of the Code of Virginia are amended and**
6 **reenacted as follows:**

7 § 58.1-2600. Definitions.

8 As used in this chapter:

9 "Certificated motor vehicle carrier" means a common carrier by motor
10 vehicle, as defined in § 46.2-2000, operating over regular routes under a certificate
11 of public convenience and necessity issued by the Commission or issued on or
12 after July 1, 1995, by the Department of Motor Vehicles. A transit company or bus
13 company that is owned or operated directly or indirectly by a political subdivision of
14 this Commonwealth shall not be deemed a "certificated motor vehicle carrier" for
15 the purposes of this chapter and shall not be subject to the imposition of the tax
16 imposed in § ~~58.1-2650~~ 58.1-2652, nor shall such transit company or bus company
17 thereby be subject to the imposition of local property levies. A common carrier of
18 property by motor vehicle shall not be deemed a "certificated motor vehicle carrier"
19 for the purposes of this chapter and shall not be subject to the imposition of the tax
20 imposed in § 58.1-2652, but shall be subject to the imposition of local property
21 taxes.

22 (Effective until December 31, 2001) "Cogenerator" means a qualifying
23 cogenerator or qualifying small power producer within the meaning of regulations
24 adopted by the Federal Energy Regulatory Commission in implementation of the
25 Public Utility Regulatory Policies Act of 1978 (P.L. 95-617).

1 "Commission" means the State Corporation Commission which is hereby
2 designated pursuant to Article X, Section 2 of the Constitution of Virginia as the
3 central state agency responsible for the assessment of the real and personal
4 property of all public service corporations, except those public service corporations
5 for which the Department of Taxation is so designated, upon which the
6 Commonwealth levies a license tax measured by the gross receipts of such
7 corporations. The State Corporation Commission shall also assess the property of
8 each telephone or telegraph company.

9 "Department" means the Department of Taxation which is hereby
10 designated pursuant to Article X, Section 2 of the Constitution of Virginia as the
11 central state agency to assess the real and personal property of railroads and
12 pipeline transmission companies as defined herein.

13 "Estimated tax" means the amount of tax which a taxpayer estimates as
14 being imposed by Article 2 (§ 58.1-2620 et seq.) of this chapter for the tax year as
15 measured by the gross receipts received in the taxable year.

16 "Freight car company" includes every car trust, mercantile or other company
17 or person not domiciled in this Commonwealth owning stock cars, furniture cars,
18 fruit cars, tank cars or other similar cars. Such term shall not include a company
19 operating a line as a railroad.

20 "Gross receipts" means the total of all revenue derived in the
21 Commonwealth, including but not limited to, income from the provision or
22 performance of a service or the performance of incidental operations not
23 necessarily associated with the particular service performed, without deductions for
24 expenses or other adjustments. Such term shall not, however, include interest,
25 dividends, investment income or receipts from the sale of real property or other
26 assets except inventory of goods held for sale or resale.

1 "Pipeline distribution company" means a corporation, other than a pipeline
2 transmission company, which transmits, by means of a pipeline, natural gas,
3 manufactured gas or crude petroleum and the products or by-products thereof to a
4 purchaser for purposes of furnishing heat or light.

5 "Pipeline transmission company" means a corporation authorized to
6 transmit natural gas, manufactured gas or crude petroleum and the products or by-
7 products thereof in the public service by means of a pipeline or pipelines from one
8 point to another when such gas or petroleum is not for sale to an ultimate consumer
9 for purposes of furnishing heat or light.

10 "Tax Commissioner" means the chief executive officer of the Department of
11 Taxation or his designee.

12 "Tax year" means the twelve-month period beginning on January 1 and
13 ending on December 31 of the same calendar year, such year also being the tax
14 assessment year or the year in which the tax levied under this chapter shall be
15 paid.

16 "Taxable year" means the calendar year preceding the tax year, upon which
17 the gross receipts are computed as a basis for the payment of the tax levied
18 pursuant to this chapter.

19 "Telegraph company" means a corporation or person operating the
20 apparatus necessary to communicate by telegraph.

21 "Telephone company" means a person holding a certificate of convenience
22 and necessity granted by the State Corporation Commission authorizing local
23 exchange telephone service, interexchange service, radio common carrier system
24 or a cellular mobile radio communications system; or a person authorized by the
25 Federal Communications Commission to provide commercial mobile service as
26 defined in § 332(d)(1) of the Communications Act of 1934, as amended, where
27 such service includes cellular mobile radio communications services or personal

1 communications services; or a person holding a certificate issued pursuant to § 214
2 of the Communications Act of 1934, as amended, authorizing telephone service.

3 For purposes of this chapter the terms "license tax" and "franchise tax" shall
4 be synonymous.

5 § 58.1-2660. Special revenue tax; levy.

6 In addition to any other taxes upon the subjects of taxation listed herein,
7 there is hereby levied, subject to the provisions of § 58.1-2664, a special regulatory
8 revenue tax equal to two-tenths of one percent of the gross receipts such person
9 receives from business done within the Commonwealth upon:

10 1. Corporations furnishing water, heat, light or power, either by means of
11 electricity, gas or steam;

12 2. Telegraph companies owning and operating a telegraph line apparatus
13 necessary to communicate by telecommunications in the Commonwealth;

14 3. Telephone companies whose gross receipts from business done within
15 the Commonwealth exceed \$50,000 or a company, the majority of stock or other
16 property of which is owned or controlled by another telephone company, whose
17 gross receipts exceed the amount set forth herein;

18 4. ~~Common carriers of property by motor vehicle;~~

19 5. The Virginia Pilots' Association;

20 6. 5. Railroads, except those exempt by virtue of federal law from the
21 payment of state taxes, subject to the provisions of § 58.1-2661; and

22 7. 6. Common carriers of passengers by motor vehicle, except urban and
23 suburban bus lines, a majority of whose passengers use the buses for traveling a
24 daily distance of not more than forty miles measured one way between their place
25 of work, school or recreation and their place of abode.

26 #

Appendix I

SENATE JOINT RESOLUTION NO. _____

1 Requesting the Department of Motor Vehicles to evaluate the feasibility and fiscal
2 impact of offering permanent registration for trailers, exempting heavy duty
3 vehicles from the motor vehicle sales and use tax, allowing federal safety
4 inspections of commercial vehicles to be accepted in lieu of state safety
5 inspections, and implementing a centrally-administered system for collection
6 of ad valorem taxes on motor carrier equipment.

7 WHEREAS, economic deregulation and the trend toward base-state fuel tax
8 and vehicle registration systems have provided trucking companies with
9 unprecedented flexibility in determining where they base their operations and
10 vehicles; and

11 WHEREAS, survey data compiled by the Virginia Trucking Association
12 indicates that, over the preceding five years, trucking companies with operations
13 located both in Virginia and in other states have titled and registered 88 percent of
14 their new power units and 92 percent of their new trailers in other states; and

15 WHEREAS, factors cited by trucking companies for decisions to base their
16 equipment and operations in other states include permanent trailer plates, lower
17 taxes, and duplicate vehicle inspection requirements in Virginia; and

18 WHEREAS, seventeen states, including Tennessee, North Carolina, South
19 Carolina, and Georgia, offer permanent trailer plate registration, which benefits
20 motor carriers by reducing administrative costs and simplifying the registration
21 process; and

22 WHEREAS, the Commonwealth's motor vehicle sales and use tax has been
23 cited as a major impediment to the titling and base-registering of equipment of
24 motor carriers in the Commonwealth; and

25 WHEREAS, Maryland, Tennessee, and West Virginia exempt certain heavy-
26 duty vehicles from their titling tax, and North Carolina and South Carolina cap

1 liability for the titling tax at \$1,000 and \$300, respectively; and

2 WHEREAS, reducing or eliminating the motor vehicles sales and use tax on
3 heavy-duty vehicles in the Commonwealth may reduce the revenue paid into the
4 Highway Maintenance and Operating Fund and the Transportation Trust Fund; and

5 WHEREAS, although Virginia's annual inspection program has been
6 recognized by the federal Department of Transportation as meeting its annual
7 inspection requirements, Virginia-plated vehicles that have complied with federal
8 annual inspection requirements must also undergo a Virginia annual inspection;
9 and

10 WHEREAS, truck inspectors in other states who are not aware that Virginia's
11 inspection program meets federal motor carrier safety standards have caused
12 carriers with Virginia-based vehicles to incur unnecessary delays and expense,
13 which has caused some carriers to incur the additional cost of complying with both
14 inspection requirements or to register and license their vehicles in states, such as
15 North Carolina, that recognize the federal inspection in lieu of their own; and

16 WHEREAS, the Virginia Trucking Association and the Commissioners of the
17 Revenue Association have held discussions regarding a centrally-administered
18 system for the collection of ad valorem taxes on motor carrier equipment, as is
19 used for the rolling stock tax on railroad equipment; and

20 WHEREAS, elements of a centrally-administered property tax could include
21 a uniform method of assessment and valuation using a uniform depreciation
22 schedule; apportionment of taxes on interstate vehicles regardless of whether
23 another state has imposed an apportioned tax on the equipment; billing and
24 collection of the tax by a single agency; distribution of tax revenues to local
25 governments; auditing; and appeal of assessments; now, therefore, be it

26 RESOLVED by the Senate, the House of Delegates concurring, That the
27 Department of Motor Vehicles be requested to evaluate (i) the feasibility and fiscal

1 impact of offering permanent registration for trailers of motor carriers for a fee that
2 is competitive with the fees of states offering permanent trailer plates, (ii) the fiscal
3 impact exempting heavy duty vehicles of motor carriers from the motor vehicle
4 sales and use tax or establishing a competitive cap on the amount of the tax
5 imposed on such vehicles, and (iii) the advisability of allowing valid federal annual
6 inspections of commercial vehicles subject to federal motor carrier safety
7 regulations to be accepted in lieu of the state inspection. The Department is further
8 requested, with the input and participation of representatives from the Virginia
9 Trucking Association and Commissioners of the Revenue, to study the advisability
10 of instituting a centrally-administered system for the collection of ad valorem taxes
11 on the equipment of motor carriers.

12 Technical assistance shall be provided by the Department of Taxation and
13 the Department of State Police. All agencies of the Commonwealth shall provide
14 assistance to the Department of Motor Vehicles, upon request.

15 The Department of Motor Vehicles shall complete its work in time to submit
16 its findings and recommendations to the Governor and the 1997 Session of the
17 General Assembly as provided in the procedures of the Division of Legislative
18 Automated Systems for processing legislative documents.

19 #

