

**REPORT OF THE  
DEPARTMENT OF MOTOR VEHICLES**

**VIRGINIA TRUCKING TASK  
FORCE FINDINGS AND  
RECOMMENDATIONS**

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



**SENATE DOCUMENT NO. 13**

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# Special Acknowledgments

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# Foreword from the Chairman

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December 26, 1996

The Honorable Governor George Allen and  
Members of the General Assembly:

Senate Joint Resolution (SJR) No. 24 was agreed upon during the 1996 Session of the Virginia General Assembly. The resolution directed the Virginia Department of Motor Vehicles to examine the registration, inspection and taxation of motor carriers with the help of sister agencies within the Commonwealth.

The study request supported the initiatives established by Secretary Robert E. Martínez within the Transportation Secretariat through its strategic plan, *Virginia Connections*, and thoroughly complemented DMV's goal of providing the ultimate in customer service to the trucking industry. Due to the magnitude of the issues, Secretary Martínez appointed the Virginia Trucking Task Force on March 21, 1996 to complete the SJR 24 study.

I am pleased to have served as Chairman of the Task Force and to present you with its findings and recommendations. This report represents the hard work of the steering committee, working groups and staff. The report addresses the four specific requests of SJR 24: permanent trailer plates, the sales and use tax on heavy vehicles, safety inspections, and ad valorem taxes. In addition to the requests of the joint resolution, the Task Force recommends further improvements. We are confident that as a package, the administrative and statutory proposals will enhance the movement of people and freight within the Commonwealth and help position Virginia as the most attractive state for companies to register, locate and base their commercial vehicle operations.

Respectfully submitted,



Richard D. Holcomb  
Commissioner, Virginia Department of Motor Vehicles  
Chairman, Virginia Trucking Task Force



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# Glossary of Acronyms and Abbreviations

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**AG's Office** - Office of the Attorney General

**ATA** - American Trucking Association

**BPOL** - Business, Professional and Occupational License

**CVISN** - Commercial Vehicle Information Systems and Networks; A national initiative to integrate commercial vehicle information systems within and among the states. Virginia is a prototype state in this effort.

**CVO** - Commercial Vehicle Operation

**CVSA** - Commercial Vehicle Safety Alliance; An alliance formed by member states to bring about uniformity in state inspection procedures.

**DMV** - Virginia Department of Motor Vehicles

**FHWA** - Federal Highway Administration

**ICC** - Interstate Commerce Commission

**IFTA** - International Fuels Tax Agreement; An international base-state agreement for the collection and disbursement of motor fuel road taxes.

**IRP** - International Registration Plan; An international base-state agreement for the collection and disbursement of registration fees.

**ITS** - Intelligent Transportation Systems; The use of technological applications to increase the throughput capacity and/or safety of highway, transit and other transportation networks and vehicles.

**SAFER** - Safety and Fitness Electronic Records System; A national system to provide electronic information to enforcement personnel at the roadside for the electronic clearance of commercial vehicles and to ensure the safety and fitness of the truck and driver.

**SCC** - State Corporation Commission

**SSRS** - Single State Registration System; A base-state program for insurance filing by for-hire carriers.

**State Police** - Virginia Department of State Police

**Task Force, VTTF** - Virginia Trucking Task Force

**Taxation** - Virginia Department of Taxation

**VDOT** - Virginia Department of Transportation

**VPA** - Virginia Port Authority

**VTA** - Virginia Trucking Association



# Executive Summary

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## *Introduction to Recommendations*

In 1994, Congress deregulated intrastate trucking. This action followed the deregulation of *interstate* trucking which had occurred several years earlier. In light of these changes, the Allen Administration and the General Assembly choose to re-visit the manner in which trucking operated in Virginia. Perhaps the single most significant change that occurred was enactment of the Administration's initiative in 1995 for one-stop shopping for the motor carrier industry, whose chief patron was the Honorable V. Earl Dickinson and which passed the Assembly unanimously.

However, despite the progress made through that legislation and other changes, information provided by DMV and the VTA led to the inescapable conclusion that Virginia remained at a competitive disadvantage as compared with other states. Due to our taxing structure and registration procedures, trucking companies that conduct a large portion of their business in Virginia, are increasingly: (1) basing their operations out-of-state; (2) plating their fleet out-of-state; and (3) buying vehicles in Virginia and crossing the border to title and register them.

In light of this situation, and with the request by the General Assembly for review of a number of issues via the SJR24 resolution, Secretary of Transportation Robert E. Martinez convened a Virginia Trucking Task Force, which began its efforts in March 1996.

The overall desired result of the proposals outlined in this report is that trucking company officials will choose Virginia as the base state for their operations and terminals once they understand the simplicity and savings associated with making the Commonwealth their business partner.

*These recommendations will not result in more trucks on Virginia highways.* That is driven by demand for the services truckers provide. Rather, the intent is that more of the trucks that already travel our roads will in fact be registered in Virginia and the Commonwealth will garner greater benefits from the trucking activity it already experiences. At the same time, we seek clarification and improvements in safety requirements in the industry to the benefit of *all* motorists, truckers included. We believe the Task Force proposals will have a positive economic impact for the Commonwealth; however.

## **Credentials and Registration Recommendations**

### ***Recommendation #1 - Permanent Trailer Registrations and Plates***

Offer permanent trailer registrations and plates to provide substantially more efficiency and greater customer convenience. These enhancements will be achieved by simplifying the DMV administrative process for trailer registrations. Under this proposal, DMV would create and design a permanent trailer plate which would be offered to all trailer customers at a one-time fee of \$50.00. Intrastate and interstate motor carriers with small fleets or large fleets stand to receive economic benefits and convenience from registering their trailers permanently. The customer time and paperwork associated with annual registration (locating trailers across the country and physically applying new registration decals each year) will be eliminated.

By establishing a \$50.00 permanent registration fee for trailers, Virginia will have one of the most attractive rates for permanent trailer plates in the U.S. This is significant because trucking companies can “shop” for the most economically attractive state for the purpose of registering trailers. In addition to permanent trailer registration, customers would be able to choose to register for one or two years (current registration options) at a rate of \$23.50 per year in the maximum weight category. This permanent trailer plate option eliminates the need for and would replace the current five-year fleet trailer program. The permanent plate fee of \$50.00 will include a corresponding increase in the proportion to be transmitted to State Police for state inspection fees. In addition, applicants will be able to obtain personalized plates for trailers at an additional one-time fee of \$10.00.

### ***Recommendation #2 - Permanent License Plates For Power Units***

Issue permanent license plates for power units (trucks/tractors) and bill customers for their annual registration fee. As with the permanent trailer plate, this process will be more efficient and convenient for the customer and will eliminate annual validation decals currently used on power unit plates. Intrastate and interstate motor carriers with small fleets or large fleets stand to receive economic benefits from using permanent license plates on power units. The customer time and paperwork associated with annual registration (locating power units across the country and physically applying new registration decals each year) would be eliminated. Also, applicants will be able to obtain personalized plates for power units at an additional *annual* fee of \$10.00.

### ***Recommendation #3 - Registration Fees***

Increase truck/tractor registration fees by \$1.25 per thousand pounds of registered gross vehicle weight. Registration fees are more directly connected to actual road use than sales and use taxes because they are paid by both interstate and intrastate trucks/tractors. Intrastate carriers will pay the full amount of any increase in registration fees for power units since 100% of their miles are traveled within the state. Interstate carriers will also pay the full amount of any increase in registration fees for power units based on the percentage of miles traveled within the state under IRP. This recommendation addresses the revenue and road usage issues associated with recommendation #9.

### ***Recommendation #4 - Liquidated Damages Fines***

Penalize the abusers of Virginia's highways by amending Va. Code §46.2-1135 to lower the threshold for doubling liquidated damages fines for excessive weight violations from 35% over the maximum legal weight to 25% over the maximum legal weight. The task force position is that those who violate the law should be penalized in relationship to the severity of that violation. This is a matter of safety. It also is the case that it is the gross violators of our overweight trucking laws that produce the greatest damage to our highways. This recommendation directly addresses highway damage.

Under current law, the doubling of fines for overweight violations occurs only if the vehicle is 35% to 50% over the maximum legal gross weight. If the vehicle is 50% or more overweight, the fines are then tripled. The Task Force recommendation proposes to penalize more appropriately abusers of Virginia's roads, by lowering the threshold down to 25% over maximum legal weight to begin the doubling of fines. This significant increase in fines will enhance safety and deter carriers from operating overweight trucks and thereby contribute to a decrease in highway damage and an increase in compliance with weight laws. This recommendation also addresses the revenue and road usage issues associated with recommendation #9.

### ***Recommendation #5 - Forms and Processing Enhancements***

Appoint a joint committee comprised of motor carriers, DMV, VDOT and State Police personnel to:

- Make registration forms clearer, more concise and easier to read
- Revise or redesign cab cards and/or related credentials to be easier to use
- Review other related forms and applications for ease of use and readability

The team would also identify further technological enhancements to aid motor carriers in fleet and registration management.

## **Inspections and Enforcement Recommendations**

### ***Recommendation #6 - Clarify Safety Inspection Requirements***

Codify the Governor's proclamation on safety inspection requirements. At the beginning of each administration, the Governor issues a proclamation regarding inspection stickers that expire while a vehicle is outside of Virginia borders. Codifying the proclamation will clarify the inspection requirements and help prevent unnecessary delays on the part of trucks re-entering the Commonwealth after the expiration of their annual safety inspection stickers.

In addition to the recommendation to codify the Governor's proclamation, State Police and DMV will work with the VTA to publish a listing of truck stops and other Virginia inspection stations that are open after hours, on weekends and holidays or on a 24-hour basis. This listing will assist truckers in complying with inspection requirements whenever they re-enter the Commonwealth. State Police and DMV will also work through the appropriate organizations and associations to encourage uniformity in periodic inspection programs and formulate reciprocal agreements in jurisdictions with compatible or comparable inspection standards. Under such a reciprocal agreement, Virginia would accept safety inspections conducted in those states in lieu of a Virginia inspection.

### ***Recommendation #7 - Chassis Roadability***

Utilize the I-95 Corridor Coalition,<sup>1</sup> the American Association of Port Authorities and the ATA as forums for ports, steamship lines, railroad carriers and motor carrier representatives to discuss issues related to equipment liability. Any agreement reached in these forums, particularly via the ATA's Intermodal Conference, could then be used as Congressional testimony on the changes proposed by the Intermodal Conference. Future discussions regarding this issue will be directed toward a uniform approach by East Coast ports so that Virginia's port will not be at a competitive disadvantage.

### ***Recommendation #8 - Local Oversize and Overweight Permits***

Appoint a team of representatives from VDOT, DMV, State Police, the AG's Office and other appropriate state agencies to study local oversize/overweight permitting statutes, out-of-service procedures and related policies and practices. The team will work with local government officials and trucking concerns to conduct a thorough review of permitting topics. A review of Constitutional issues will also be conducted. The objective of the study is to identify ways to reduce, streamline or eliminate unnecessary regulatory burdens on industry without negatively impacting safety. The findings and recommendations will be formulated for presentation during the 1998 Session of the Virginia General Assembly.

## **State and Local Taxation Recommendations**

### ***Recommendation #9 - Sales and Use Tax on Heavy Vehicles***

Exempt all trucks, tractors, and trailers with a manufacturer's gross vehicle weight rating of 26,001 pounds and above from the motor vehicle sales and use tax. This proposal will bring Virginia sales and use tax on heavy duty vehicles in-line with those of neighboring states. Eliminating the sales and use tax for these vehicles will affect the current levels of revenue paid into the Commonwealth Transportation Fund. Recommendation #3 to increase registration fees and recommendation #4 to lower liquidated damage thresholds more appropriately address the revenue and road usage issues.

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<sup>1</sup> The I-95 Corridor Coalition is an association of state transportation agencies from Virginia to Maine pursuing a coordinated ITS/CVO program along the I-95 Corridor.

### ***Recommendation #10 - Retail Sales Tax on Parts***

Support separate legislation, House Bill 239, with the modifications suggested by Taxation, to provide a retail sales and use tax exemption for tangible personal property sold or leased to specific motor vehicle carriers who operate as common carriers or contract carriers of property. Deregulation of the motor carrier industry has shown that a decreasing number of carriers satisfy the "common carrier" and "public service" requirements set out in the current exemption. This proposed amendment restores the exemption to many of those same carriers, and does not extend the exemption to private carriers.

### ***Recommendation #11 - Extend the Rental Tax System***

Extend the existing efficient process for collecting rental taxes on passenger vehicles to certain rental trucks. Currently, rental passenger vehicles weighing 9,000 lbs. or less are subject to a total of 8% rental tax. Four percent (4%) is a local tax in lieu of the property tax and 4% is a state tax in lieu of the motor vehicle sales and use tax. The revenue from the 4% local tax is collected by DMV and disbursed to the localities based on where the vehicle was rented. In contrast, rental trucks are currently subject to the 4% state tax *and* are subject to local property taxes instead of the 4% local rental tax.

Under the new proposal, the 4% local rental tax and the 4% state rental tax would be levied on the rental of all vehicles weighing 26,000 lbs. or less. This revenue would be distributed by DMV on a quarterly basis to each locality in which the vehicle was rented. Vehicles weighing 26,001 lbs. or more will be exempt from the 4% state rental tax, since vehicles in this weight range will be exempt from the motor vehicles sales and use tax, as outlined in recommendation #9.

### ***Recommendation #12 - Centrally Administered System for Ad Valorem Taxes***

Table any further action to amend the current property tax system for trucks since no feasible plan for a centrally administered system for the collection of property taxes could be developed at this time. Other property tax reforms and future initiatives may be developed, as appropriate, to resolve the concerns raised. However, the Virginia General Assembly may wish to consider mandating a separate analytical review.

***Recommendation #13 - Uniform Fine/Prepayment Schedule***

Extend the types of violations that are pre-payable to include a specific list of minor motor carrier violations. This change will make some minor violations pre-payable and will reduce, and in some cases eliminate, the need for the carrier or driver to return to Virginia for a court appearance. This problem can be particularly costly and time-consuming for carriers and drivers. In addition, such a system may reduce the caseload and associated costs for the Virginia court system.

We emphasize that only minor infractions would be included for possible prepayment. State Police will, in no instance, allow any equipment defect that would impair safety or result in an out-of-service order to be pre-paid.

***Recommendation #14 - Business Professional Occupational License Tax (BPOL)***

Provide a technical correction to codify the exemption that for-hire carriers enjoyed prior to deregulation. This exemption will be achieved through a statutory change to the BPOL. Specific language will be proposed to grant an exemption to the BPOL for any interstate, for-hire carrier that was formerly certified by the ICC, or now gains certification through the Surface Transportation Board (U.S. Department of Transportation). This exemption is not intended to broaden the exemption to any other category or type of carrier.

***Recommendation #15 - Dyed Diesel Fuel and Off-Road Fuel Use***

Support separate legislation which will codify DMV's position on the use of dyed fuel, without penalty, in non-highway vehicles by: (1) clarifying that unlicensed vehicles and self-propelled equipment designed for off-highway use are not highway vehicles for fuels tax purposes; (2) allowing these vehicles to use dyed diesel fuel on the highway since they are not highway vehicles; and (3) allowing for a refund of tax paid on fuel used off-highway in self-propelled equipment designed for off-highway use.

## **Miscellaneous Recommendations**

### ***Recommendation #16 - Code Clean-Up, Technological Enhancements and Miscellaneous Items***

Implement the following recommendations of the Code clean-up team:

- Support statutory language to issue temporary transport plates at no cost to the motor carrier, and valid for not more than three days. Currently, the Code requires that a customer seeking to demonstrate a laden truck purchase a certificate from DMV at a cost of \$26.00. The Task Force believes that this requirement is unnecessary given the existing registration and licensing requirements that apply to vehicle dealers who allow customers to demonstrate fully loaded trucks. Removing the fee requirement and enabling dealers to issue the certificates directly will be more efficient. The change has a negligible revenue impact due to the very small number of certificates requested. In FY 96, DMV issued less than 300 of these certificates which resulted in roughly \$7,000 in revenue.
- Currently, VDOT issues single trip and blanket hauling permits for overdimensional loads and vehicles. However, the holders of blanket permits are required to report and pay a 10¢ per mile fee to DMV. This proposal eliminates the 10¢ per mile fee payment as well as record keeping requirements for the carrier since VDOT will now charge the carrier \$40 for the permit. DMV will no longer need to process the hauling permit monthly reports from carriers.
- Several other similar technical recommendations and enhancements proposed by the Code clean-up team are outlined in the Task Force legislative proposal.



# History of One-Stop Shopping

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## One-Stop Shopping

Governor Allen's Commission on Government Reform (the Blue Ribbon Strike Force) recommended that DMV implement one-stop shopping for the trucking industry "as soon as possible." The request appeared in the Strike Force final report as recommendation TR 66 which was issued on November 15, 1994. The Honorable V. Earl Dickinson served as chief patron of the 1995 one-stop shopping bill in the House (HB 1963) and the Honorable Robert L. Calhoun served as chief patron of the bill in the Senate (SB 882). The bill passed unanimously in the House and in the Senate due largely to the tireless efforts of its patrons and many co-patrons (Vote: 90-Y, 0-N House; 40-Y, 0-N Senate). Over the next 9 months, DMV implemented "one-stop shopping" and became a single point of contact for motor carriers to obtain licensing/credentialing services and pay most fees.

With the initiation of "one-stop shopping" and the transfer of motor carrier functions from the SCC in 1995, DMV began a new era of service to motor carriers. The change enabled the Department to provide centralized access to licensing and credentialing services at seventy (70)<sup>2</sup> customer service centers across the Commonwealth. Forty percent (40%) of the credentials issued occur in customer service centers other than the central office in Richmond. State Police reports similar success in the consolidation of law enforcement and safety aspects of one-stop shopping within their agency.

## New Responsibilities for DMV

With the consolidation of motor carrier functions at DMV, the agency assumed responsibility for motor carrier intrastate and insurance credentials, the SSRS and road tax collection (including all collections and road tax audits for IFTA).

The consolidation of functions also enabled DMV to proceed with the implementation of IFTA. This program simplifies the nationwide tax structure for motor carriers engaged in interstate commerce by focusing the tax collection process within a single base state. Prior to the transfer of motor carrier functions to DMV, Virginia had made little progress in joining IFTA. However, once DMV assumed responsibility, the program was implemented within nine months, a schedule unequaled by any other state in the nation.

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<sup>2</sup> When the one-stop shopping legislation originally passed, DMV was able to offer services to motor carriers in 60 customer service centers. Since that time, DMV has expanded these services to all 70 full-service customer service centers.

## **New Responsibilities for DMV (continued)**

As part of the IFTA implementation, DMV conducted an extensive training program for motor carriers. More than 100 road tax training seminars were conducted throughout the Commonwealth reaching nearly 2,400 customers. In fact, the seminars were so well received that members of the trucking industry in adjacent states participated in the Virginia programs because little, if any, training was offered in their home states. Virginia may be the only state that has provided such extensive road tax training seminars for carriers.

## **The Results of Service Enhancements**

DMV programs and activities initiated in 1996 have resulted in the following service enhancements:

### Ease of Doing Business

With 70 locations offering the full array of motor carrier services, truckers will have little problem obtaining the proper operating credentials and filing road tax reporting forms and payments. Virginia offers more outlets for motor carrier services than any other state.

### Simplified Road Tax Reporting

Implementation of IFTA simplifies road tax reporting for motor carriers. Previously, Virginia-based interstate carriers had to report and pay road taxes to every state in which they traveled. Now, a carrier files with just one state--his home state. As an IFTA agent, DMV makes the contacts with the other states, collects all road taxes due, including Virginia's, and distributes the collections to other states. DMV also conducts an audit of the carrier's account, if necessary, providing a single audit process for the carrier rather than audits by each state through which the carrier travels.

### Improved Cash Flow

Centralized road tax reporting also improves cash flow for motor carriers. For example, previously a motor carrier might be due road tax refunds from several states and owe payments to others. The carrier would be required to pay the states that he owed prior to receiving refunds from the other states. IFTA, however, applies the refunds to the payments due, eliminating the need for carriers to make unnecessary payments.

## The Results of Service Enhancements (continued)

### Reduced Error Rate on Road Tax Reporting Forms

Most states report initial error rates as high as 85% on the road tax reporting forms. In contrast, as a result of the training that DMV provided, our acceptance rate averages approximately 78%. When simple errors do occur, DMV resolves them via telephone and fax rather than resorting to a lengthy correspondence process.

### Reduced Duplication of Functions

The transfer of motor carrier services to DMV has reduced the duplication of functions, such as auditing and administrative hearings, across agencies as well as within DMV. DMV auditors, for example, now have been cross-trained and can conduct the full range of audits—fuels tax, road tax (IFTA and the Virginia Motor Fuel Road Tax), rental and IRP—whereas previously these audits were conducted by two agencies and units within the agencies. Now, one person can audit multiple functions for a carrier, maximizing the use of state resources and minimizing the impact on the motor carrier. Other functions, such as administrative hearings and case management, have been handled in a similar manner.

## Successful Transition

Consolidating services under one-stop shopping was a tremendous undertaking. These key strategies, however, enabled a successful transition to be achieved.

- Change in Philosophy - Although DMV is charged with many regulatory responsibilities, the agency views itself as a service provider. Whereas motor carrier functions previously focused on *regulating* motor carriers, DMV approached the challenge in a new light--that of *servicing* motor carriers. Following a vision that emphasized service, the agency created a program that treats motor carriers as business clients and seeks to meet their needs, while always also protecting the public interest. After all, without motor carriers, commerce in Virginia would screech to a halt.
- Internal Restructuring - DMV internally restructured licensing and regulatory functions, aligning all motor carrier-related services within a single organizational unit. This new unit, staffed with a total of 56 employees, 28 of which were transferred from the SCC<sup>3</sup> includes the new functions acquired as well as functions already housed at DMV, such as IRP, liquidated damages and fuels tax collection. The resulting unit handles the full range of motor carrier functions. And, cross-training ensures that employees within the unit are able to handle a wide variety of duties.

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<sup>3</sup> Seventy-two positions were dedicated to motor carrier functions at SCC. Twenty-eight positions were transferred to DMV and twenty-four were transferred to VSP under one-stop shopping. The net result is that the former SCC motor carrier functions are now being conducted with 20 fewer positions.

# Background

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## The Genesis of the Task Force

The keys to the successful one-stop shopping transition are the same keys that DMV brought to the table to spearhead the efforts of the Task Force. VDOT, State Police and Taxation shared similar principles and, together with DMV, formed a united administrative push for change through the Task Force.

With the initiation of “one-stop shopping” and the transfer of motor carrier functions from the SCC in 1995, DMV began a new era of service to motor carriers. As noted previously, the change enabled DMV to provide centralized access to licensing and credentialing services at 70 customer service centers across the state.

The passage of SJR 24 on February 9, 1996 (a copy of which appears as Attachment II) and its request for DMV to examine the registration, inspection and taxation of motor carriers was the next step in a logical progression of motor carrier enhancements being sought within the Commonwealth. The request also served as an extension of the general examination of the competitive position of trucking in Virginia initiated by Secretary Robert E. Martínez through the *Virginia Connections* strategic plan.

Secretary Martínez requested that Richard D. Holcomb, Commissioner of DMV, chair a group that would reach beyond the scope of DMV to address a variety of trucking issues. As such, the Secretary convened the first Task Force meeting on March 21, 1996 and charged the chairman and members to conduct a comprehensive analysis of trucking concerns. To succeed, the study would examine all issues, with the exception of size and weight, that would foster greater economic benefits to and from the trucking industry in Virginia. In completing its task, the steering committee reached past the specific requests of SJR 24 in developing recommendations to make Virginia more competitive.

Commissioner Holcomb led the identification of a list of items that would make Virginia a more attractive location for the trucking industry. The Task Force research efforts that followed took the steering committee and working groups to the “field” to gather hands-on information. Commissioner Holcomb spearheaded this effort to find ways to be more attractive to the trucking industry.

## **The Genesis of the Task Force (continued)**

The intensive effort was launched because of the tremendous economic importance of trucking. The following data supports this position:

- Trucks transport the goods of Virginia's largest industries, including manufacturing, tourism and food products. The Commonwealth is home to over 7,400 trucking companies.
- In 1993, the trucking industry employed 194,970 people in Virginia or one of every 12 workers. The industry created over 50,270 new jobs between 1983 and 1993--an increase of 35%. In 1993, the average annual wage paid to Virginia trucking industry workers was \$26,650 with a total annual payroll of \$5.2 billion.
- In 1992, over 118 million tons of manufactured freight was transported into and out of Virginia by truck. Trucks transport 80% of manufactured freight to and from Virginia--457,000 tons each business day. More than 80% of Virginia communities were served exclusively by truck in 1993.
- In 1992, the trucking industry paid \$423 million in state and federal highway user taxes, representing 30% of total highway user fees and taxes in Virginia. Of this, \$228 million was paid to the Commonwealth. In 1995, an operator of a typical five-axle tractor semitrailer paid \$12,088 in state and federal highway user taxes and fees--\$6,512 of which was paid directly to Virginia.
- In Virginia, between 1986 and 1994, there was a 36% decrease in fatal accidents involving tractor trailers and a 26% drop in total accidents involving all medium and heavy trucks.

(Source: "Trucking in Virginia: Preparing for the 21st Century," Virginia Trucking Association, 1996)

Research efforts to determine ways to be more attractive to the trucking industry, this vital segment of our economy, were extensive. The quest for information regarding liquidated damages, intermodal transportation and safety inspections, took Task Force members to the Sandston Weigh Station, Overnight Transportation Company terminals, Norfolk International Terminals, the Virginia Inland Port and the Stephen's City Weigh Station to gather information on-site. After over 30 meetings among the steering committee, working groups and sub-groups, the diligent work of the Task Force came to fruition. The Task Force developed the extensive series of administrative and statutory recommendations contained in this report during its six-month period of operation.

# **Credentials and Registration Recommendations**

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## **1. Permanent Trailer Registrations and Plates**

### **Issue**

To determine the feasibility of offering permanent registrations and plates for trailers at fees competitive with other states.

### **Findings**

Currently, customers can register a trailer for 1 or 2 years and receive a decal for the same time period. Additionally, fleets of 50 or more trailers have the option of paying for a 1 or 2 year registration and obtaining a 5-year decal with billing. In the latter case, the customer is billed for the remaining registration amount due in increments of 1 or 2 years.

Based on 1995 DMV registration records, fees for most Virginia trailers used in the motor carrier industry were \$23.50 annually, which included the \$1.50 safety inspection fee collected for State Police. The current annual registration fee of \$23.50 for trailers is the highest among registration fees for trailers in neighboring states.

Adjoining states' permanent trailer plate rates are as follows:

- North Carolina: \$75 for as long as the owner maintains possession of the trailer
- Maryland: \$20.25 per year with no maximum number of years
- Tennessee: \$50 for as long as the owner maintains possession of the trailer
- West Virginia: \$11 per year for up to 10 years

During FY 1995, there were 176,855 trailers registered with Virginia DMV. Of those...

- 126,807 trailers have a registered gross weight of 10,000 pounds and below
- 13,707 trailers have a registered gross weight between 10,001 and 26,000
- 36,341 trailers have a registered gross weight of 26,001 pounds or above

The removal or streamlining of administrative burdens is a significant attraction for motor carriers shopping for the best state in which to locate or operate a trucking business. Many states now offer permanent and semi-permanent trailer registrations as a means to reduce the level of administrative processing on behalf of trucking companies.

## **Permanent Trailer Registrations and Plates (continued)**

The push for change in other states has been echoed in Virginia. During the initial meetings of the Task Force, trucking company officials and industry representatives reported that annual registration of trailers using a decal-based annual validation system is problematic and expensive. Compliance is hindered due to having to locate trailers from fleets which are often scattered throughout the country and send decals to be affixed to trailer plates.

The Task Force found that a change in the display of registration decals would not significantly hamper law enforcement efforts. Registration decals are not a primary enforcement mechanism. State Police representatives indicated that decal-based enforcement is being used to ensure the collection of DMV fees and not solely to make sure that a vehicle is properly registered.

Rather, the current enforcement of trailer registration is achieved through monitoring and, as required, through law enforcement officials citing a driver for expired trailer plates when the vehicle is stopped for some other reason. In the instance of a violation, if a customer does not remit payment, report the trailer sold, or surrender the license plates, this proposal would allow DMV to place an administrative stop on the customer's record for the entire fleet. This stiff penalty deters any failure to pay the fee.

### ***Recommendation #1 - Permanent Trailer Registrations and Plates***

The Task Force proposes offering three registration options: Customers could register their trailers for one (1) year, two (2) years, or permanently. One-year and two-year registrations are existing options. The new option, permanent registration, could be purchased for \$50.00 for any trailer regardless of weight. Under this proposal, DMV would eliminate the five-year fleet trailer program since permanent registration would be available.

## Permanent Trailer Registrations and Plates (continued)

Permanent trailer registrations would be available to all customers either at the 72 Customer Service Centers or on-line via computer once the supporting infrastructure and data exchange standards are finalized. A plate with a "Permanent," "Perm" or some other appropriate designation will be issued to customers when they opt for permanent registrations.

The permanent trailer plate would remain on the trailer until it is reported to DMV as sold or salvaged or the plate is voluntarily surrendered. Refunds would not be available for permanent trailer plates nor could these types of plates be transferred to another vehicle.

Under this proposal, customers would have the option to:

- Choose the trailer plate option that best suits their needs. The maximum fee would be EITHER \$23.50 yearly (in the maximum weight category) OR \$50 for a permanent plate in any weight category.
- Replace a lost, mutilated or illegible permanent trailer license plate by paying a \$10 replacement fee.
- Obtain a duplicate registration card for the permanent trailer license plate by mail, phone, or in person. A duplicate registration card would be issued at no fee.
- Obtain personalized trailer plates for an additional one-time fee of \$10.00.

**Trailer Fee Comparison Chart**

Type of Trailer	1-Year Registration Fee	2-Year Registration Fee	Permanent Registration Fee
0 - 500 lbs.	\$8.00	\$16.00	\$50.00
1,500 - 4,000 lbs.	\$18.50	\$37.50	\$50.00
4,001 lbs. and above	\$23.50	\$47.00	\$50.00



## **2. Permanent License Plates for Power Units**

### **Issue**

Determine the feasibility of offering permanent license plates for power units with registration fees to be paid annually.

### **Findings**

The credentials and registration working group of the Task Force determined that other states were offering permanent power unit plates and using annual billing processes to collect IRP and related fees. In many systems, annual registration cards are issued once the fees are paid, though the permanent plate remains on the power unit.

Motor carriers and industry representatives reported that the annual registration of power units using a decal-based validation system is problematic and expensive. Compliance is hindered due to having to locate the power unit and mail decals to drivers to affix to the power unit plate for validation.

Fees for most power units are based on the weight for which the power unit is registered. The owner pays these fees annually. A power unit registered "for hire" in Virginia for 80,000 lbs. costs about \$1,200 in annual registration fees to DMV.

Opportunities exist for streamlining administrative procedures and burdens on motor carrier companies if permanent power unit plates with annual billing were offered as an option. As with permanent trailer registrations and plates, State Police representatives indicated that the decal-based enforcement was designed to ensure the collection of DMV fees and not solely to make sure the vehicle is properly registered.

### ***Recommendation #2 - Permanent License Plates For Power Units***

Issue permanent license plates for power units and bill customers for their annual registration fee. This process will be more convenient for the customer and will eliminate annual validation decals currently used for power unit plates.

Motor carrier customers registering power units would automatically qualify for permanent power unit plates. Annual renewal of the permanent power unit registrations would be available to all customers either at the 72 DMV Customer Service Centers or on-line via computer once the supporting infrastructure and data exchange standards are finalized.

## **Permanent License Plates for Power Units (continued)**

A plate with a "Permanent," "Perm" or some other appropriate designation will be issued to customers when they opt for permanent registration. The permanent power unit plate would remain on the power unit until it is reported to DMV as sold or salvaged or the plate is voluntarily surrendered.

Under this proposal, DMV's administrative processes will be simplified for carriers registering power units since the carriers would not have to affix the decal to the plate for validation. DMV could save between \$13,000-\$36,000 annually (depending on the weight class) if power unit decals are eliminated.

### **Customer options include the ability to:**

- Pay annual renewal fees just as they do today, depending on their registered weight.
- Receive a "bill" for their annual registration fee. Upon payment of the fee, a new registration card would be mailed to the customer showing the registration fees had been paid for the current year. If the fees were not paid, the registration for the vehicle would be suspended, a stop placed on the vehicle file, and the tags would have to be surrendered.
- Replace a lost, mutilated, or illegible power unit plate by paying a \$10.00 replacement fee.
- Obtain a duplicate registration card for the permanent power unit plate by mail, phone, or in person if all fees were paid. A duplicate registration card would be issued at no fee.
- Select personalized power unit plates for an additional annual fee of \$10.00.

### 3. Registration Fees

#### Issue

Evaluate the feasibility of increasing registrations as a more efficient and effective means of collecting appropriate trucking fees.

#### Findings

The impact of raising the registration fee by \$1.25 per 1,000 pounds of gross weight would increase revenues to the Commonwealth by an estimated \$6.7 million annually. For example, a \$1.25/1,000 lbs. increase would raise the registration fee for an 80,000 lb. for-hire truck by \$100. This change in the registration fees helps off-set the revenue decrease of the sales and use tax proposal. The chart below shows the effect the recommended increase in fees has on the total registration fees charged private and for-hire motor carriers in the Commonwealth.

#### ***Recommendation #3 - Registration Fees***

Increase registration fees by \$1.25 per thousand pounds of registered gross vehicle weight. Registration fees are more directly connected to road use than sales taxes because they are paid by both interstate and intrastate trucks based on gross weight. As such, this proposal appropriately spreads revenue collection over a larger pool of taxpayers, both interstate and intrastate users of Virginia highways.

**Proposed New Power Unit Registration Fee Chart**

Gross Truck Weight	Current Private Fee	Current For-Hire Fee	Proposed Private Fee (With an Increase of \$1.25/ 1,000 lbs. of Gross Weight)	Proposed For-Hire Fee (With an Increase of \$1.25/ 1,000 lbs. of Gross Weight)
26,000	\$200.20	\$ 250.90	\$ 232.70	\$ 283.40
36,000	\$278.70	\$ 368.70	\$ 323.70	\$ 413.70
46,000	\$364.50	\$ 479.50	\$ 422.00	\$ 537.00
66,000	\$679.50	\$ 943.50	\$ 762.00	\$1,026.00
80,000	\$979.50	\$1,219.50	\$1,079.50	\$1,319.50

## **4. Liquidated Damages Fines**

### **Issue**

Determine the feasibility and impact of raising overweight fines (liquidated damages) on a graduated basis for motor carriers cited for weight violations in Virginia.

### **Findings**

A formula (commonly referred to as the bridge formula) is used to determine the maximum gross weight a vehicle or combination of vehicles can transport on Virginia roads. The formula is found in Va. Code §46.2-1126. Generally, the bridge formula considers and calculates the maximum gross weight allowed to be placed on two or more consecutive axles a certain space apart. Examples: For a truck with the front and rear axle located 10 feet apart, the maximum weight allowed is 40,000 lbs. A 5-axle tractor and semi-trailer, used in combination, with a distance of 51 feet between the front and rear axles can haul the maximum weight allowed, 80,000 lbs. Maximum vehicle weights/axle loads are defined in Va. Code §46.2-1122 *et seq.* The maximum single axle weight permitted on Virginia highways is 20,000 lbs.; for tandem axles, it is 34,000 lbs.

Overload permits may be issued to allow vehicles to be loaded over their respective maximum weights, ranging from a 1% permit for \$35 to a 5% permit for \$200. Permits are valid for 1 year and must be renewed each year. Additionally, certain types of carriers are granted special permit types when exceeding weight limits (i.e. coal haulers, solid waste haulers and concrete aggregate haulers). However, an overload permit will not allow a vehicle to carry more than 80,000 lbs. gross vehicle weight. These weights are not applicable to interstate travel.

Grossly overweight vehicles are the ones that damage the roadways the most but are not proportionally penalized as harshly as a minor violator. This proposal will lead to an increase in revenue to the Commonwealth as well as reduced damage to our roadways and increase safety for all motorists, truckers included.

## **Liquidated Damages Fines (continued)**

### **Citation Issuance/Process**

- The officer charging the violation serves a citation to the driver which is directed at the owner, operator, or other person responsible for the overweight violation as determined by the officer. The company usually is the entity cited for the violation.
- The officer calculates the fees and fines at the scene where the citation is issued. Va. Code §46.2-1135 gives specific direction on how to calculate fines.
- Under Va. Code §46.2-1135 (B), if the gross weight of the violation exceeds the lawful limits by at least 35%, the amount of the liquidated damages is doubled. If the gross weight exceeds the lawful limits by more than 50%, then the liquidated damages are tripled.
- The citation is mailed or transmitted electronically<sup>4</sup> to DMV within 24 hours after it is served on the operator/driver.
- Payment of the “liquidated damages” and fees is required to occur within 21 days of the issuance of the citation or the responsible party is required to notify DMV of their desire to contest the violation in court.
- If the responsible party does not pay the citation in full, then DMV issues an administrative order of assessment (administrative suspension) against them. The order is sent by first-class mail.
- These orders have the same weight as a judgment for liquidated damages as issued by a district court.
- If a responsible party does not either pay the liquidated damages and fees OR properly pursue a hearing to contest the citation, DMV is required to suspend the authority of the carrier to operate in Virginia until the carrier complies.

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<sup>4</sup> DMV and VDOT are working in cooperation to automate the liquidated damages transmittal process and are currently piloting electronic transmittals at the Sandston, Carson and Stephen’s City scales. This new process will be operational in all fixed weigh stations by July 1997.

**Recommendation # 4 - Liquidated Damages Fines**

Penalize the abusers of Virginia's highways by amending Va. Code §46.2-1135 to lower the threshold for doubling liquidated damages fines for excessive weight violations from 35% over maximum legal gross weight to 25% over maximum legal weight. The Task Force's position is that those who violate the law should be penalized in relationship to the severity of that violation.

Under current law, the doubling of fines for overweight violations occurs only if the vehicle is 35% to 50% over the maximum legal gross weight. If the vehicle is 50% or more overweight, the fines are then tripled. The Task Force recommendation proposes to more appropriately penalize abusers of Virginia's roads, by lowering the threshold down to 25% over maximum legal weight to begin the doubling of fines. For example, if a tractor-trailer combination registered for 80,000 lbs. maximum gross weight is stopped at a scale and found to weigh 100,000 lbs., that truck is 25% over its legal maximum gross weight and would be subject to the increased fine.

	Civil Penalty	Processing Fee	Weighing Fee	5¢ Fine per Pound	Threshold to Double Fine	Fine Doubled?	Total Fine
Current Law	\$25	\$20	\$2	20,000 lbs.= \$1,000	35%	no	\$1,047
Proposed Law	\$25	\$20	\$2	20,000 lbs.= \$1,000	25%	yes	\$2,047

This significant increase in fines will result in an initial revenue gain to the Commonwealth of \$400,000 annually, enhance safety and create a disincentive to operating overweight vehicles thereby contributing to a decrease in highway damage and an increase in compliance with weight laws.

## **5. Forms and Processing Enhancements**

### **Issue**

Develop an ongoing process to enhance the level of customer service provided to the trucking industry.

### **Findings**

Motor carriers and industry representatives indicated that some forms and processes could be difficult to understand and hard to use when compared to other states' processes, forms or procedures. Opportunities appear to exist for streamlining administrative procedures and burdens on motor carrier companies by use of industry input on forms, processes, and procedures directly affecting or being used by motor carriers.

### ***Recommendation #5 - Forms and Processing Enhancements***

Appoint a joint committee comprising motor carriers, DMV, VDOT, and State Police personnel to:

- Make registration forms clearer, more concise and easier to read
- Revise or redesign cab cards and/or related credentials to be easier to use
- Review other related forms and applications for ease of use and readability

DMV would encourage owners of fleets to become on-line fleet managers when the technology is available. Motor carriers would benefit from having input into processes and forms that they have to use in their everyday business to comply with regulatory requirements. Ease of use of forms, processes, and application procedures may make Virginia more attractive than other states when carriers decide where to locate terminals, corporate offices or operations.

Forms, processes, and procedures would be streamlined to reflect changes in technology and changes in the motor carrier industry. The goal is to carry out the forms and processing improvements from this committee to correspond with the implementation date of the Task Force legislation. Upon implementation, DMV and motor carriers will be able to exchange information in a manner that would help both to maximize resources and to accommodate the carrier.

# **Inspections and Enforcement Recommendations**

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## **6. Clarify Safety Inspection Requirements**

### **Issue**

Evaluate the advisability of allowing valid federal annual inspections of commercial vehicles subject to federal motor carrier safety regulations to be accepted in lieu of the state inspection.

### **Findings**

Currently, there are approximately 117,000 trucks, trailers and semitrailers registered in Virginia. These vehicles are subject to annual Virginia state inspection requirements, random roadside inspections and pre-trip/post-trip driver inspections. Trucks and trailers that are registered in Virginia travel across the U.S. as a business necessity and are outside of the Commonwealth for periods that often extend beyond the expiration date of their Virginia inspection decal. Representatives of the trucking industry who have found themselves in this position, reported that they have been immediately cited for expired inspection stickers when they return to the Commonwealth.

At the beginning of each administration the Governor issues a proclamation regarding the expiration of inspection stickers. Governor George Allen issued a proclamation on July 1, 1994 (a copy of which appears as Attachment III). The proclamation states that any motor vehicle which is outside of the Commonwealth of Virginia at the time that its inspection sticker expires may be returned to the owner's place of residence or the owner's legal place of business before it will be required to be submitted for a reinspection. However, many law enforcement officers are unaware of the proclamation which is not found in the Code of Virginia. The Task Force recommendation to codify the proclamation should remedy this situation. In evaluating the advisability of accepting Federal safety inspections, in lieu of Virginia state inspections, the Task Force agreed to maintain current inspection requirements to ensure highway safety.

### ***Recommendation #6 - Clarify Safety Inspection Requirements***

Codify the Governor's proclamation on safety inspection requirements. Codifying the proclamation will clarify the inspection requirements and help prevent unnecessary delays on the part of trucks re-entering the Commonwealth after the expiration of their annual safety inspection stickers.



## ***Recommendation #6 - Clarify Safety Inspection Requirements (continued)***

In addition to the recommendation to codify the Governor's proclamation, State Police and DMV will work with the VTA to publish a listing of truck stops and other Virginia inspection stations that are open after hours, on weekends and holidays or on a 24-hour basis. State Police and DMV will also work with states that have federally approved inspection programs to formulate a reciprocal agreement with them. Under the proposed agreement, Virginia would accept safety inspections conducted in those states in lieu of a Virginia inspection. In essence, this reciprocity approach will be limited effectively to those states determined to be as rigorous in their inspections as is Virginia.

## **7. Chassis Roadability**

### **Issue**

Evaluate current chassis inspection requirements and recommend appropriate remedies for chassis roadability concerns.

### **Findings**

The way violations for containerized cargo are being assessed is of concern to motor carriers. When a carrier picks up a container, primarily one that arrives at an international port, the weight of that container is listed on the delivery order. Any discrepancies between the weight on the delivery order and the actual weight of the container is not known until the carrier goes through a weigh station. If the container--in combination with the chassis and power unit--is overweight, a citation is issued to the carrier. Such a citation creates a charge of a \$47 processing fee plus liquidated damages calculated on a "per pound" basis.

A review of the statutes revealed that Va. Code §46.2-1133, as currently written, allows the officer charging the violation to determine the recipient of the citation for overweight containers, i.e. the owner, operator, or other person responsible for the overweight violation.

Task Force research indicates that the liability issues related to chassis and containers roadability stem from port inspection processes and the language of the Uniform Intermodal Interchange and Facilities Access Agreement (UIIA). While the UIIA may have helped clarify the liability issues and may be preventing rail and water carriers from assigning additional liability to motor carriers, it would appear that the motor carriers still bear a disproportionate amount of responsibility for equipment used in the intermodal transport of freight which may not be commensurate with their actual proportion of responsibility.

## **Chassis Roadability (continued)**

The chassis/container roadability issue is not confined to ports and motor carriers; it also impacts the relationship between the rail industry, the steamship lines, the beneficial owners of freight and/or freight consolidators and motor carriers. As a result of the liability concerns, the Intermodal Conference of the ATA has drafted a petition designed to expand the authority of the FHWA to encompass intermodal transportation and to revise FHWA regulations to hold "equipment owners" responsible for the condition of chassis and container.

### ***Recommendation #7 - Chassis Roadability***

Utilize the I-95 Corridor Coalition, the American Association of Port Authorities and the ATA, particularly via the ATA's Intermodal Conference, as forums for ports, steamship lines, railroad carriers, and motor carrier representatives to discuss issues related to equipment liability. Any agreement reached in these forums could then be used as Congressional testimony on the changes proposed by the ATA. Future discussions regarding this issue will be directed toward a uniform approach by East Coast ports so as not to put Virginia's port at a competitive disadvantage.

## **8. Local Oversize and Overweight Permits**

### **Issue**

Evaluate current local permitting to identify appropriate relief from dual state and local permitting requirements.

### **Findings**

VDOT issues hauling permits and oversize/overweight permits for transporters of irreducible loads and overwidth, overheight, and/or overlength vehicles or loads. The permitting process incorporates an evaluation of the bridge restrictions, height restrictions, and other safety issues as appropriate for the carrier and the public at-large.

There are three categories of vehicles which may need to obtain such a permit: 1) irreducible loads, incorporating the vast majority of vehicles (approximately 90%); 2) special interest haulers, such as containerized freight, concrete, and solid waste haulers; and 3) specialized equipment, such as cranes and heavy construction equipment. The permitting process involves a telephone call or visit to a VDOT office by the applicant.

Hauling permits may be route-specific and carry a flat fee. These permits can be issued as a blanket or for a single-trip. Blanket permits may be sold for one or two years and cost \$45 and \$85 respectively. In addition to this cost carriers report to DMV monthly and pay 10¢ per mile for travel on the highway. Routes the carrier may take are specified on the permit and, if appropriate, a time restriction for that route is also specified. Single-trip permits may also be obtained for a one-time fee of \$12 plus 10¢ per mile for the trip. This permit may also be route-specific and may incorporate a return trip as well.

In addition to state requirements, local authorities can also require carriers to obtain permits to travel roads they own or maintain. Most localities do not have the facilities or operational capabilities to issue permits and honor the permits issued by VDOT. However, the Cities of Norfolk, Chesapeake, and Virginia Beach, the County of Henrico, and the Town of Herndon do issue permits. As a consequence, carriers who travel through any of these jurisdictions may be subject to additional permitting fees or liquidated damages if local permits are not obtained. In addition, some localities may be charging for permits which, under the Code of Virginia, are designated as no-cost permits.

### ***Recommendation #8 - Local Oversize and Overweight Permits***

Appoint a team of representatives from VDOT, DMV, State Police, the AG's Office and other appropriate state agencies to study local oversize/overweight permitting statutes, out-of-service procedures and related policies and practices. The team will work with local government officials and local trucking concerns to conduct a thorough review of oversize and overweight permitting. A review of constitutional issues will also be conducted.

The objective of the study is to identify ways to reduce, streamline or eliminate unnecessary regulatory burdens on industry without negatively impacting safety. The findings and recommendations will be formulated for presentation during the 1998 Session of the Virginia General Assembly.

# State and Local Taxation Recommendations

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## 9. Sales and Use Tax on Heavy Vehicles

### Issue

Examine exempting certain heavy duty commercial vehicles from the motor vehicle sales and use tax, or establishing a competitive cap on the amount of tax imposed on such vehicles.

### Findings

Va. Code §58.1-2402 stipulates the current sales and use tax as 3% of the sales price of a motor vehicle, trailer, or semi-trailer at the time it is initially titled in Virginia. Several surrounding states offer a more competitive position to the trucking industry. Maryland and Tennessee exempt vehicles used primarily in interstate commerce from the payment of a sales tax, while West Virginia exempts vehicles weighing more than 55,000 pounds. North Carolina and South Carolina cap their sales tax at \$1,000 and \$300 respectively. Task Force research indicates that these differences are causing trucking companies to title their vehicles in surrounding states.

Economic deregulation, and the existence of programs such as IRP and IFTA, give trucking companies tremendous flexibility in deciding where to base their operations. Trucking firms that previously based their operations in Virginia now have the option of shopping around, and basing their operations in another state where the cost of doing business is less.

Interstate trucking companies can and often do purchase their vehicles in states that either do not impose a vehicle sales and use tax, or offer a partial exemption or cap to carriers. As long as surrounding states are more competitive, interstate companies will increasingly choose to register vehicles outside of Virginia.

### ***Recommendation #9 - Sales and Use Tax on Heavy Vehicles***

Exempt all trucks, tractors, and trailers with a manufacturer's gross vehicle weight rating of 26,001 pounds and above from the motor vehicle sales and use tax. This proposal will make Virginia sales and use tax on heavy duty vehicles very competitive with neighboring states.

In 1995, approximately 8,000 trucks and tractors and 5,600 trailers weighing 26,001 lbs. and above were purchased in Virginia. Based on these figures, it is estimated that the revenue loss to the Commonwealth Transportation Fund will be approximately \$9.8 million. This revenue loss will be offset in part by increasing registration fees per 1,000 pounds on vehicles 26,001 lbs. and above, and by increasing liquidated damages fines which will also have the result of reducing road damage.

The Task Force proposals intend to more appropriately place the burden of payment on the users and abusers of the Virginia's roads. It is our intent to target precisely those vehicles through a registration fee increase paid by all Virginia highway users and a liquidated damages fee increase paid by all Virginia highway abusers.

Additionally, eliminating the sales and use tax on vehicles purchased in Virginia that weigh 26,001 lbs. and above, provides an incentive for carriers to purchase, title, and base their vehicles here and should result in increasing local revenues. We expect that dynamic changes in the industry leading more truckers to register as Virginia "citizens" will actually end up increasing revenues overall. In this regard, it is important to remember this will not lead to additional trucks on Virginia highways. That is a function of the demand for those services truckers provide. Rather, we seek to have more of those trucks actually contributing to the Commonwealth as established "citizens."

## **10. Retail Sales Tax on Parts**

### **Issue**

Examine and attempt to clarify Taxation's exemptions for the retail sales tax paid on parts by motor carriers.

### **Findings**

Prior to deregulation of the trucking industry in 1995, Va. Code §58.1-609(3), provided for an exemption from the retail sales tax for tangible personal property used by common carriers holding SCC certificates of public convenience and necessity. The exemption extended to only tangible personal property, such as replacement parts, used directly in the provision of the common carrier's public services. Therefore common carriers previously eligible for a sales tax exemption (even if only partial) are no longer eligible, since there is no longer a clear distinction between common and contract carriers.

Currently, 46 jurisdictions impose a retail sales tax and 19 of these do not appear to offer any significant sales tax exemption for repair/replacement parts, including Maryland and South Carolina. On the other hand, 27 taxing jurisdictions, including Virginia, provide some exemption, though the extent of the exemption and the circumstances under which it is allowed vary greatly.

### ***Recommendation #10 - Retail Sales Tax on Parts***

Support separate legislation, introduced by the Honorable Glenn M. Weatherholtz as HB 239 and carried over from 1996 Session of the Virginia General Assembly. The Task Force supports this legislation with the modifications suggested by Taxation to provide a retail sales and use tax exemption for tangible personal property sold or leased to specific motor vehicle carriers who operate as common carriers or contract carriers of property (including brokers). Deregulation of the motor carrier industry has shown that a decreasing number of carriers satisfy the "common carrier" and "public service" requirements set out in the current exemption. This proposed amendment restores the exemption to many of those same carriers, and does not extend the exemption to private carriers.

## **11. Extend the Rental Tax System**

### **Issue**

Examine the feasibility of revising current rental tax provisions to develop a more efficient system for collection.

### **Findings**

Since 1974, passenger vehicles purchased for exclusive use in a rental business have been exempted from the motor vehicle sales and use tax. Rather than sales and use tax, a tax on the gross proceeds from short-term vehicle rentals is imposed. The current rental tax laws vary depending upon whether or not the rental vehicle is considered a daily rental passenger car. Currently, the gross proceeds from any daily rental passenger car are taxed at a rate of 8% with half that amount being distributed to local governments based on where the vehicle was rented. The 4% which is distributed to local governments is paid in lieu of local personal property tax. All other motor vehicle rentals are taxed by the state at a rate of 4% and are subject to local property tax.

The Task Force finds the current system of tax collection for daily rental passenger cars to be an efficient means of collecting state and local taxes for all parties involved: the state, localities and rental agencies. Under this system, persons who rent daily passenger vehicles register with DMV, maintain records of rental transactions, collect the 4% rental tax and the 4% additional tax, and file monthly tax returns with DMV. DMV then distributes the funds from the additional 4% tax to the appropriate jurisdictions.

The current method of collecting state and local taxes on rental trucks is not as efficient and cost-effective as the method for collecting taxes on passenger vehicles. For example, a van is considered a daily rental passenger car if transporting persons, and therefore the 4% state *and* 4% local rental tax is due. No property tax is assessed. On the other hand, if the same van is rented and the seats are removed to haul boxes, the vehicle is considered a rental truck and only the 4% state tax is due. The vehicle is then subject to local property taxes. The dual use of a vehicle creates a potential for tax avoidance. Actual instances of tax evasion have been uncovered through DMV audits. The current system is confusing for everyone involved, including the rentor, the rentee, and the Commissioners of Revenue.



## **Extend the Rental Tax System (continued)**

The rental tax was also reviewed in light of a separate Task Force recommendation to eliminate the sales and use tax on motor vehicles with a gross vehicle weight rating or gross combination weight rating of 26,001 pounds or more. The state rental tax is imposed in lieu of sales and use tax. Since the above vehicles would be exempt from sales and use tax, it would be inappropriate to continue to assess the rental tax on rental vehicles of this nature.

### ***Recommendation #11 - Extend the Rental Tax System***

Extend the existing efficient process for collecting rental taxes on passenger vehicles to certain rental trucks. Currently, rental passenger vehicles weighing 9,000 lbs. or less are subject to a total of 8% rental tax. Four percent (4%) is a local tax in lieu of the property tax and 4% is a state tax in lieu of the motor vehicle sales and use tax. The revenue from the 4% local tax is collected by DMV and disbursed to the localities based on where the vehicle was rented. In contrast, rental trucks are currently subject to the 4% state tax *and* are subject to local property taxes instead of the 4% local rental tax.

Under the new proposal, the 4% local rental tax and the 4% state rental tax would be levied on the rental of all vehicles weighing 26,000 lbs. or less. This revenue would be distributed by DMV on a quarterly basis to each locality in which the vehicle was rented. Vehicles weighing 26,001 lbs. or more will be exempt from the 4% state rental tax, since vehicles in this weight range will be exempt from the motor vehicles sales and use tax, as outlined in recommendation #9.

## **12. Centrally Administered System for Ad Valorem Taxes**

### **Issue**

Examine the feasibility of implementing a centrally-administered system for the collection of ad valorem (property) taxes on motor carrier equipment.

### **Findings**

The current lack of uniformity in local taxation creates an administrative burden, especially on those carriers who, prior to deregulation, had been subject to a centrally-administered tax processed by the SCC. Companies now have to deal with each locality in which its equipment is domiciled, and each locality may have different tax rates, assessment procedures, and administrative or record keeping requirements.

Current assessment criteria and valuation vary greatly from locality to locality. Areas that lack consistency include:

- Determination of situs (where garaged versus percentage of time in jurisdiction)
- The taxable value of a vehicle (recognized pricing guide versus original cost)
- Whether or not a vehicle qualifies for apportionment
- Method for reporting and assessing miles (fleet versus individual vehicles)
- What is considered "equipment" (subject to the machinery and tools rate)
- The use of proration by some localities but not others
- What records are necessary and acceptable

This lack of a uniform method of assessment is an administratively burdensome and costly tax system for motor carriers. Carriers based in states that do not impose a property tax on commercial carriers, have a lower property tax rate or use a less burdensome system and enjoy a competitive advantage over Virginia carriers. Property tax rates and the system used to administer them can be a big incentive to companies determining where to base their operations. Due to deregulation and the development of IRP and IFTA, companies have the flexibility to shop around for the most cost-effective state for their operations. (*Senate Document No. 30, Taxation of Equipment of Motor Carriers, 1996*).

## **Centrally Administered System for Ad Valorem Taxes (continued)**

The state and local taxation working group of the Task Force (which included 5 Commissioners of the Revenue and 5 trucking representatives) devoted a series of meetings and sub-group work sessions to addressing and resolving the property tax issues previously cited. In addition to the meetings held, the working group sought input from the Commissioners of the Revenue Association and further input was sought from every Commissioner of the Revenue through a property tax survey.

Neither the meeting findings nor the survey results yielded a conclusive approach that would resolve the concerns of truckers and Commissioners of the Revenue with the current property tax system. Despite the vigorous work sessions and research efforts, the Task Force was not able to reach a consensus on this issue.

### ***Recommendation # 12 - Centrally Administered System for Ad Valorem Taxes***

Table any further action to amend the current property tax system for trucks since no feasible plan for a centrally administered system for the collection of property taxes could be developed at this time. Other property tax reforms and future initiatives may be developed, as appropriate, to resolve the concerns raised. However, the Virginia General Assembly may wish to consider mandating a separate analytical review.

### **13. Uniform Fine/Prepayment Schedule**

#### **Issue**

Explore adopting the CVSA uniform fine schedule and the feasibility of making some minor motor carrier traffic violations pre-payable.

#### **Findings**

At present, there is no uniform fine/prepayment schedule in Virginia for violations of motor carrier regulations. A uniform system and a prepayment option for minor infractions would provide a more efficient and effective process for motor carriers, enforcement personnel and Virginia courts.

The CVSA is an association of state and provincial officials responsible for the administration and enforcement of motor carrier safety laws in the United States and Canada. This organization has developed a uniform fine schedule for minor violations of motor carrier safety regulations. Making some of these minor violations pre-payable would reduce, and in some cases eliminate, the need for the carrier or driver to return to Virginia for a court appearance. This can be a particularly costly and time-consuming problem. In addition, such a system may reduce the caseload and associated costs for the Virginia court system.

Adoption of such a system will not compromise safety. Serious violations will continue to be subject to heavy fines. Serious equipment violations will continue to result in having the vehicle put out-of-service, repaired, and inspected before being operated on the highway again. The driver would then still need to return to Virginia for a court appearance. Members of the State Police will retain the authority to put a vehicle out-of-service if at any time they deem it to be a threat to public safety.

#### ***Recommendation #13 - Uniform Fine/Prepayment Schedule***

Extend the types of violations that are pre-payable to include a specific list of minor motor carrier violations. This change will make some minor violations pre-payable and will reduce, and in some cases eliminate, the need for the carrier or driver to return to Virginia for a court appearance. This can be a particularly costly and time-consuming problem for carriers and drivers. In addition, such a system may reduce the caseload and associated costs for the Virginia court system.

## **14. Business Professional Occupational License Tax**

### **Issue**

Examine whether or not motor carriers who were previously exempt from the BPOL should continue to be exempt from the BPOL.

### **Findings**

Authority to assess and collect local business license taxes is granted in the Code of Virginia. Public service corporations are exempt from payment of local business taxes. Due to deregulation, there is no consistent agreement among localities as to whether or not motor carriers should now be liable for the business license tax (BPOL). Prior to deregulation in 1995, carriers that were certificated and regulated by the SCC were exempt from the tax. It was determined that all carriers (both interstate and intrastate) would be exempt from the tax (to avoid violating the Commerce Clause). Regulated carriers paid a rolling stock tax and a regulatory revenue tax to the SCC. Currently, neither of these taxes are paid; and there are a variety of interpretations regarding deregulation among the localities and whether or not carriers should be subject to the BPOL tax. At present, there is no specific language in the Code prohibiting localities from assessing and collecting the BPOL.

### ***Recommendation #14 - Business Professional Occupational License Tax***

Provide a technical correction to codify the exemption that for-hire carriers enjoyed prior to deregulation. This will be achieved through a statutory exemption to the BPOL. Specific language will be proposed to grant an exemption to the BPOL for any interstate, for-hire carrier that was formerly certified by the ICC, or now gains certification through the Surface Transportation Board (U.S. Department of Transportation). This exemption is not intended to broaden the exemption to any other category or type of carrier.

There should be no revenue impact attached to this proposal. The carriers who would be exempt were exempt prior to deregulation in 1995, and no revenue is being collected from the affected carriers at present; this modification would simply ensure that no attempt is made in the future to make them liable for the BPOL.

## **15. Dyed Diesel Fuel and Off-Road Fuel Use**

### **Issue**

Examine the Virginia fuels tax statutes to determine if alterations to the current provisions are necessary and, if so, make appropriate recommendations.

### **Findings**

Federal and state governments in their pursuit of initiatives to combat fuels tax evasion, developed the concept of dyeing diesel fuel to distinguish between taxable and non-taxable fuel. Under the dyed fuel concept, diesel fuel which is dyed is intended for non-highway use and is not taxed while clear fuel is taxed. The dyed fuel initiative allows government officials, fuel distributors, and ultimately, consumers of the fuel to more efficiently manage fuel distribution and use, as well as tax collection. Dyed fuel alleviates the need to issue exemption stickers to customers who have legitimate uses for non-taxed fuel, and makes it easier for fuel distributors to determine whether tax should or should not be collected. Dyed fuel also enhances enforcement efforts since non-taxed fuel is easily detected.

The federal government instituted a dyed fuel program in January 1994 and Virginia implemented laws for the imposition of penalties for improper use of dyed fuel in July of 1995. Virginia and federal penalties of \$10 per gallon or \$1,000, whichever is greater, are applied for violations of the dyed fuel laws. Federal and state officials work closely to enforce these laws by sharing violation information and conducting joint inspections.

The collaborative efforts of state and federal officials have resulted in the identification of varying federal and state interpretations of the dyed fuel laws, particularly with regard to which vehicles are allowed to use dyed fuel on the highway. Discrepancies in interpretation involve vehicles which are not required to be registered such as certain farm vehicles and vehicles which are typically used off-highway such as construction equipment. DMV has worked closely with the Internal Revenue Service to ensure that the dyed fuel laws are consistently applied for these types of operations.

In concert with this issue, the Task Force reviewed concerns surrounding the fuels taxes imposed upon operators of self-propelled equipment which is designed for off-highway use but moves on the highway to get from job site to job site. Under the current statutory language, such equipment is considered a highway vehicle and is therefore not eligible for refund consideration for the fuel used off-highway.

### ***Recommendation #15 - Dyed Diesel Fuel and Off-Road Fuel Use***

Support separate legislation which is being introduced by the Honorable Harry J. Parrish, the original patron of the dyed diesel fuel bill (HB 1892) which was passed unanimously in the House and Senate in 1995. Delegate Parrish's proposal will codify DMV's position on the use of dyed fuel, without penalty, in non-highway vehicles by: (1) clarifying that unlicensed vehicles and self-propelled equipment designed for off-highway use are not highway vehicles for fuels tax purposes, (2) allowing these vehicles to use dyed diesel fuel on the highway since they are not highway vehicles, and (3) allowing for a refund of tax paid on fuel used off-highway in self-propelled equipment designed for off-highway use.

# Miscellaneous Recommendations

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## **16. Code Clean-Up, Technological Enhancements and Miscellaneous Items**

### **Issue**

Review the Code of Virginia to identify obsolete provisions and areas where technical revisions are needed to provide improved customer service and enable future technological advancements.

### **Findings**

In addition to the working groups, the Task Force formed a Code "clean-up" team to address miscellaneous provisions and make technical and other legislative changes. The Code clean-up team used the Task Force legislative proposal as a vehicle to clarify DMV's service delivery in relation to motor carriers and, where appropriate, replaced references to the SCC with DMV. The group found several provisions that could be clarified, revised or, in some cases, eliminated. Due to the nature of the Code clean-up team, detailed findings are outlined in the Task Force legislation that will be introduced during the 1997 Session of the General Assembly. Copies of the legislative proposals will be available from Legislative Services.

The group also took an opportunity to propose deleting old or unnecessary language in the Code and to propose enabling legislation for future technology. Many technological enhancements will be achieved as a result of Virginia's participation in CVISN. This initiative will enable government agencies, the motor carrier industry, and other parties engaged in CVO safety and regulation to exchange information and conduct business transactions electronically. The overall purpose of the CVISN model deployment program is to increase the safety, efficiency, and effectiveness of commercial vehicle operations and enforcement. It is not a new information system, but rather a way for existing systems to exchange information using standards and the commercially available communications infrastructure in the United States.



## **16. Code Clean-Up, Technological Enhancements and Miscellaneous Items (continued)**

The objectives of CVISN include:

- Providing electronic application for credentials and road tax reports by motor carriers
- Interfacing state systems to IRP and IFTA clearinghouses
- Using license plate readers and transponders at the roadside electronically to identify commercial vehicles and carriers
- Permitting electronic clearance at fixed and mobile sites
- Collecting inspection data electronically from the roadside and uploading it to the SAFER database
- Distributing safety information to computers at the roadside to target high-risk carriers

A hypothetical scenario would include the following: The vehicle pulls into the weighing facility sorter lane and either a license plate reader or transponder reader is used to identify the motor carrier. A snapshot of the carrier record very quickly indicates whether the carrier has obtained necessary credentials and has a clear safety record. The truck continues to travel and the weight is electronically recorded directly from the weigh-in-motion (WIM)<sup>5</sup> scale.

Electronic clearance will focus on sorting out safe and legal vehicles for bypass so that enforcement resources can be directed at higher-risk vehicles. Oversized, overweight, improperly registered or tax delinquent vehicles will be identified. Carriers with poor safety records would also be identified. Higher-risk operators would then be subject to closer inspection.

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<sup>5</sup> VDOT is at the forefront nationally in using WIM technology which is currently in place at the Dumfries, Troutville and Stephen's City scales. This system allows vehicles to be weighed while traveling 35 mph.

**Recommendation #16 - Code Clean-Up, Technological Enhancements and Miscellaneous Items**

Implement the following recommendations of the Code clean-up team:

- Support statutory language to issue temporary transport plates at no cost to the motor carrier, and valid for not more than three days. Currently, the Code requires that a customer seeking to demonstrate a laden truck purchase a certificate from DMV at a cost of \$26.00. The Task Force believes that this requirement is unnecessary given the existing registration and licensing requirements that apply to vehicle dealers who allow customers to demonstrate fully loaded trucks. Removing the fee requirement and enabling dealers to issue the certificates directly will be more efficient. The change has a negligible revenue impact due to the very small number of certificates requested. In FY 96, DMV issued less than 300 of these certificates which resulted in roughly \$7,000 in revenue.
- Eliminate the current blanket hauling permit record-keeping requirement and replace the 10¢ per mile fee with a \$40 annual fee. This removes the burden of record-keeping and reporting by the carrier and eliminates the need for DMV to process hauling permit monthly reports.
- Several other similar technical recommendations and enhancements proposed by the Code clean-up team are outlined in the Task Force legislative proposal.

# **A Bright Future for Trucking in Virginia**

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## **Conclusion**

The combined efforts of the Task Force representatives on the steering committee and working groups mark the beginning of a new era and a bright future for trucking in Virginia. Despite previous reform efforts within the Commonwealth, the Task Force research indicated that trucking companies which conduct a large portion of their business in Virginia, were increasingly: (1) basing their operations out-of-state; (2) plating their fleet out-of-state; or (3) buying vehicles in Virginia and crossing the border to title and register them.

The proposals of the Task Force stand as the most comprehensive and aggressive measures drafted to-date to ensure the long-term economic attractiveness that the Commonwealth has to the trucking industry. The enactment of the Task Force proposals outlined in this report will help to dramatically stem the tide of decreasing truck transactions in/revenue received by the Commonwealth.

The Task Force sees its proposals as a springboard to many other improvements to come in the future. This era of change will continue with the automation of roadside inspections information by the State Police and the concerted efforts of several agencies to develop and institute automated interfaces and information exchange for commercial vehicles through CVISN.

The enactment of the Task Force legislative package and proposals together with the related on-going initiatives will make the interaction between the trucking industry and the Commonwealth greatly more efficient. As a result, Virginia will become the most attractive state for trucking companies to locate and base their operations.

# Virginia Trucking Task Force Resources

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1. "CVISN Statement of Direction," Johns Hopkins University Applied Physics Laboratory, December 27, 1995.
2. A Highway Transportation Initiative: Partnerships in Highway Safety, Office of Motor Carriers, Washington, D.C., June 1995.
3. "International Registration Plan, Instruction Manual," Virginia Department of Transportation, Motor Carrier Services, Richmond, Virginia, March 1994.
4. "Motor Carrier Guidebook, Virginia Motor Fuel Road Tax Programs," Department of Motor Vehicles, Richmond, Virginia, October 16, 1995.
5. Motor Carriers' Road Atlas, Rand McNally and Company, 1996.
6. "Size, Weight, Equipment and Other Requirements for Trucks, Trailers and Towed Vehicles," Department of Transportation, Richmond, Virginia, February 1996.
7. "Taxation of Equipment of Motor Carriers, Joint Subcommittee Report," Senate Document No. 30, Commonwealth of Virginia, Richmond, 1996.
8. "Trucking in Virginia: Preparing for the 21st Century," Virginia Trucking Association, Richmond, Virginia, 1996.
9. Virginia Connections: Strategic Plan for Transportation, Office of the Secretary of Transportation, Richmond, Virginia, 1994.
10. "Virginia Hauling Permit Manual," Department of Transportation, Maintenance Division, Hauling Permit Section, Richmond, Virginia, January 24, 1996.
11. "Virginia Motor Fuel Road Tax Programs: Licensing and Reporting Requirements," Department of Motor Vehicles, Motor Carrier Services, September, 1995.
12. "Virginia Official Inspection Manual," Virginia Department of State Police, Richmond, Virginia, July 1, 1991.

**Attachment I**  
**Virginia Trucking Task Force Members**

# Virginia Trucking Task Force

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## Steering Committee Members

Richard D. Holcomb, Chair  
Commissioner, Department of Motor Vehicles

P. Dale Bennett  
Executive Vice President, Virginia Trucking Association

Holly Lane Bonham  
Director of Special Projects, Virginia Port Authority

Dee O. Bowles  
Safety Director, Apollo Van Lines, Inc.

Phil N. Brooks  
Operations Manager, Springfield Rental Crane Company

John L. Butner  
State Traffic Engineer, Department of Transportation

Harold M. Diggs  
Executive Director of Taxes, Overnite Transportation Company

Peter Easter  
Car & Truck Renting & Leasing Association (CATRALA)  
Virginia Ready-Mixed Concrete Association

Julian W. Fitzgerald, Sr.  
Director, Motor Carrier Services, Department of Motor Vehicles

Frederick P. Helm  
Assistant Commissioner, Department of Motor Vehicles

J. Michael Herndon  
Executive Vice President & CFO, Wilson Trucking Company

Carroll B. Jackson  
Executive Secretary, Virginia Movers and Warehouseman's Association

Robert R. Merhige, III  
General Counsel, Deputy Executive Director, Virginia Port Authority

Gary D. Okes  
Corporate Secretary, Estes Express Lines

Ab W. Quillian  
Deputy Commissioner, Department of Motor Vehicles

Charles G. Rosemond  
Vice President - Sales, Wyatt Transfer, Inc.

Roy M. Terry  
Safety Department, Overnite Transportation Company

Shirley J. Ybarra, *ex officio*  
Deputy Secretary of Transportation  
Office of the Secretary of Transportation

# Virginia Trucking Task Force

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## Steering Committee Support Staff

Marianne M. Radcliff - Liaison  
Office of the Secretary of Transportation

Kim Y. Farrar - Project Management & Report  
Department of Motor Vehicles

Jamie L. Habecker - Analysis & Documentation  
Department of Motor Vehicles

Darryl D. Putnam - Forecasting & Analysis  
Department of Motor Vehicles

Karen J. Scales - Documentation  
Department of Motor Vehicles

Simon J. Stapleton - Legislative Coordination  
Department of Motor Vehicles

Gerry A. Turner - Chief Economist  
Department of Motor Vehicles

# Virginia Trucking Task Force

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## Working Group Members

### Credentialing/Registration - Frederick P. Helm, Chair

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Apollo Van Lines - Dee O. Bowles

Department of State Police - Captain Warren S. Flaherty

Department of Transportation - Jim B. Robinson & Joe Vidunais

Department of Motor Vehicles - Robert S. O'Neal, Michael R. Andresen, Judy M. Petersen, Jerry M. Fern & Daisy L. Dulick

### Inspections/Enforcement/Access - Ab W. Quillian, Chair

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Overnite Transportation Company - Roy M. Terry

Virginia Port Authority - Holly Lane Bonham

Wyatt Transfer, Inc. - Charles G. Rosemond

Department of State Police - Lieutenant Herb B. Bridges

Department of Transportation - John L. Butner & Kenneth J. Jennings

Department of Motor Vehicles - Karen E. Chappell & Martha M. Freeland

Office of the Secretary of Transportation - Marianne M. Radcliff

### State/Local Tax Issues - Julian W. Fitzgerald, Sr., Chair

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Estes Express Lines - Gary D. Okes

Springfield Rental Crane Company - Phil N. Brooks

Virginia Port Authority - Robert R. Merhige, III

Virginia Trucking Association - P. Dale Bennett

Wilson Trucking Corporation - J. Michael Herndon

Department of Taxation - Michael S. Melson & Steven M. Schwartz

Department of Motor Vehicles - Janet E. Smoot, Jamie L. Habecker, Ralph M. Davis, Rena R. Hussey & Tully G. Welborn

### Code Clean Up, Technological Enhancements & Miscellaneous Team

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Department of Motor Vehicles - Simon J. Stapleton, Michael R. Andresen, Clarence H. Bradbery,

Shirley D. Champ, Daisy L. Dulick, David N. Dunston, Jerry M. Fern, Jamie L. Habecker,

Rena R. Hussey, Judy M. Petersen, L. Paul Pugh & Edward W. Watson



**Attachment II**  
**Senate Joint Resolution No. 24**

COMMONWEALTH OF VIRGINIA



SENATE

April 10, 1996

SUSAN CLARKE SCHAAR  
CLERK OF THE SENATE  
P.O. BOX 326  
RICHMOND, VIRGINIA 23203

Mr. Richard D. Holcomb  
Commissioner  
Department of Motor Vehicles  
2300 West Broad Street  
Richmond, Virginia 23220

Dear Mr. Holcomb:

As directed by the 1996 General Assembly, I am enclosing Senate Joint Resolution No. 24, requesting the Department of Motor Vehicles to examine the registration, inspection and taxation of motor carriers.

The Patron of this resolution is Senator Charles L. Waddell, 705-G E. Market Street, Leesburg, Virginia 22075.

The resolution was agreed to by the Senate on February 9, 1996, and the House of Delegates on February 23, 1996.

With kind regards, I am

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Susan Clarke Schaar".

Susan Clarke Schaar

SCS/rr

Enclosure

cc: The Honorable Charles L. Waddell

P. Klouton

APR 12 1996

SENATE JOINT RESOLUTION NO. 24

Requesting the Department of Motor Vehicles to examine the registration, inspection and taxation of motor carriers.

Agreed to by the Senate, February 9, 1996

Agreed to by the House of Delegates, February 23, 1996

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

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

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

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

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

WHEREAS, Maryland, Tennessee, and West Virginia exempt certain heavy-duty vehicles from their titling tax, and North Carolina and South Carolina cap liability for the titling tax at \$1,000 and \$300, respectively; and

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

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

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

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

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

RESOLVED by the Senate, the House of Delegates concurring, That the Department of Motor Vehicles be requested to examine the registration, inspection, and taxation of motor carriers. The Department shall evaluate (i) the feasibility and fiscal impact of offering permanent registration for trailers of motor carriers for a fee that is competitive with the fees of states offering permanent trailer plates, (ii) the fiscal impact exempting heavy duty vehicles of motor carriers from the motor vehicle sales and use tax or establishing a competitive cap on the amount of the tax imposed on such vehicles, and (iii) the advisability of allowing valid federal annual inspections of commercial vehicles subject to federal motor carrier safety regulations to be accepted in lieu of the state inspection. The Department is further requested, with the input and participation of representatives from the Virginia

1 Trucking Association and Commissioners of the Revenue, to study the advisability of instituting a  
2 centrally-administered system for the collection of ad valorem taxes on the equipment of motor  
3 carriers.

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

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

**Attachment III**  
**Proclamation on Safety Inspections**



# COMMONWEALTH of VIRGINIA

Office of the Governor

George Allen  
Governor

## PROCLAMATION

*The successful carrying out of the Virginia traffic safety program is dependent to a large extent upon the proper mechanical maintenance of motor vehicles, trailers or semi-trailers which operate over the streets and highways of Virginia.*

*Motor vehicles, trailers or semi-trailers inspected under this Proclamation which continue to be registered in and operated upon the highways of this Commonwealth shall be reinspected within twelve months from each month of inspection thereafter. Any motor vehicle, trailer or semi-trailer presently being operated in Virginia which bears a current inspection sticker as of the date of this proclamation shall not be required to be reinspected pursuant to this Proclamation until the current twelve-month period has expired.*

*The owner or operator of a motor vehicle, trailer or semi-trailer subject to this Proclamation shall submit the same to an official inspection station for inspection before operating such motor vehicle, trailer or semi-trailer upon the highways of Virginia, except as follows:*

- 1. Four-wheel vehicles weighing less than 500 pounds and having less than 6 horsepower;*
- 2. Trailers not equipped with brakes;*
- 3. Motor vehicles defined under Section 46.2-100 of the Code of Virginia as an antique motor vehicle and licensed as an antique motor vehicle pursuant to the provisions of Section 46.2-730 of the Code;*
- 4. Any motor vehicle, bus, trailer or semi-trailer which is outside of the Commonwealth of Virginia at the time its inspection expires may be returned to the owner's or operator's place of residence or the owner's legal place of business in the State before it will be required to be submitted for a reinspection;*

5. *Motor vehicles owned and operated by persons on active duty with the United States Armed Forces, who are Virginia residents stationed outside of Virginia at the time its inspection expires, may operate such vehicle on the highways of the Commonwealth while on leave, provided such vehicle displays a valid inspection sticker issued by another state and not be in violation of Section 46.2-1157 of the Code of Virginia;*
6. *New motor vehicles, new trailers or new semi-trailers may be operated upon the highways of Virginia for the purpose of delivery from the place of manufacture to the dealer's or distributor's designated place of business, or between places of business if such manufacturer, dealer or distributor has more than one place of business, without being inspected; dealers or distributors may take delivery and operate upon the highways of Virginia new motor vehicles, new trailers or new semi-trailers from another dealer or distributor provided a motor vehicle, trailer or semi-trailer shall not be considered new if driven upon the highways for any purpose other than the delivery of the vehicle.*
7. *New motor vehicles, new trailers or new semi-trailers bearing a manufacturer's license may be operated for test purposes by the manufacturer without an inspection;*
8. *Motor vehicles, trailers or semi-trailers may be operated for test purposes by a certified inspector without an inspection during the performance of an official inspection;*
9. *New motor vehicles, new trailers or new semi-trailers may be operated upon the highways of Virginia over the most direct route to a location for installation of permanent body without being inspected;*
10. *Motor vehicles, trailers or semi-trailers purchased outside the Commonwealth of Virginia may be driven to the purchaser's place of residence or the dealer's or distributor's designated place of business without being inspected.*
11. *Prior to purchase from auto auctions within the Commonwealth, motor vehicles, trailers or semi-trailers may be operated upon the highways not to exceed a five-mile radius of such auction by prospective purchasers for the purpose of road testing only without being inspected;*

*Motor vehicles, trailers or semi-trailers purchased from auto auctions within the Commonwealth also may be operated upon the highways from such auction to the purchaser's place of residence or business without being inspected;*

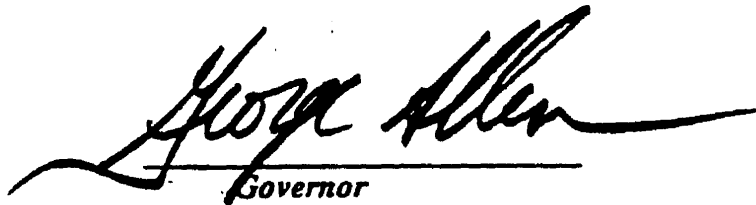
- 12. Motor vehicles, trailers or semi-trailers, after the expiration of a period fixed for the inspection thereof, may be operated over the most direct route between the place where such vehicle is kept or garaged and an official inspection station for the purpose of having the same inspected pursuant to a prior appointment with such station for such inspection as provided in Section 46.2-1157 of the Code of Virginia;*
- 13. Vehicles transporting well drilling machinery and mobile equipment as defined in Section 46.2-700 of the Code of Virginia;*
- 14. Motor vehicles being towed in a legal manner as exempted by Section 46.2-1150 of the Code of Virginia;*
- 15. Log trailers as exempted by Section 46.1-1159 of the Code of Virginia;*
- 16. Motor vehicles designed or altered and used exclusively for racing or other exhibition purposes, as exempted by Section 46.2-1160 of the Code of Virginia;*

*Motor vehicles, trailers or semi-trailers not registered in Virginia are not subject to this Proclamation. Accordingly, mopeds as defined in Section 46.2-100 and vehicles exempted from licensing under Sections 46.2-662 through 46.2-683, are not required to be inspected.*

*NOW, THEREFORE, I, George Allen, Governor of the Commonwealth of Virginia, do hereby proclaim that, with the exception of those vehicles specifically exempted heretofore in this document, all motor vehicles, trailers or semi-trailers bearing a Virginia registration plate or plates, or registered as a motor vehicle, trailer or semi-trailer under any provision of Virginia law and operated upon the highways of this Commonwealth shall be submitted to inspection at an official inspection station and shall have corrected all defects thus found to exist.*



*Given under my hand and under the lesser seal of the Commonwealth, at Richmond, this first day of July, in the year of Our Lord, one thousand nine hundred and ninety-four, and in the two hundred nineteenth year of the Commonwealth.*

  
Governor

**By the Governor:**

  
Secretary of the Commonwealth

