MEASURE

2022 BR NUMBER 1625       HOUSE BILL NUMBER 8

TITLE AN ACT relating to revenue measures.

SPONSOR Representative Jason Petrie

FISCAL SUMMARY

STATE FISCAL IMPACT: ☑ YES ☐ NO ☐ UNCERTAIN

OTHER FISCAL STATEMENT(S) THAT MAY APPLY: ☐ ACTUARIAL ANALYSIS
☐ LOCAL MANDATE ☐ CORRECTIONS IMPACT ☐ HEALTH BENEFIT MANDATE

APPROPRIATION UNIT(S) IMPACTED: ____

FUND(S) IMPACTED: ☑ GENERAL ☑ ROAD ☐ FEDERAL ☐ RESTRICTED ____

<table>
<thead>
<tr>
<th>FISCAL ESTIMATES</th>
<th>2021-2022</th>
<th>2022-2023</th>
<th>2023-2024</th>
<th>ANNUAL IMPACT AT FULL IMPLEMENTATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>REVENUES</td>
<td>($463.2 M) GF $0.3 M RF</td>
<td>($901.7 M) GF $0.7 M RF</td>
<td></td>
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<tr>
<td>EXPENDITURES</td>
<td>($463.2 M) GF $0.3 M RF</td>
<td>($901.7 M) GF $0.7 M RF</td>
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<tr>
<td>NET EFFECT</td>
<td>($463.2 M) GF $0.3 M RF</td>
<td>($901.7 M) GF $0.7 M RF</td>
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( ) indicates a decrease/negative

PURPOSE OF MEASURE: The purpose of this bill is to reduce the Commonwealth’s reliance on taxes related to production and to increase the reliance on taxes related to consumption.

FISCAL EXPLANATION: For Individual Income Tax, the tax rate is reduced to 4 percent for taxable years beginning on or after January 1, 2023, and a statutory reduction will occur in future taxable years if certain levels of General Fund receipts are exceeded. Future rate reductions will occur for taxable years beginning on January 1 following the fiscal year in which General Fund receipts exceed the following thresholds, except that any change in tax rate shall not exceed one percentage point in a calendar year:

<table>
<thead>
<tr>
<th>Rate</th>
<th>Threshold</th>
<th>Rate</th>
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<tbody>
<tr>
<td>3.5%</td>
<td>$13.75 billion</td>
<td>1.5%</td>
<td>$17.50 billion</td>
</tr>
<tr>
<td>3.0%</td>
<td>$14.50 billion</td>
<td>1.0%</td>
<td>$18.50 billion</td>
</tr>
<tr>
<td>2.5%</td>
<td>$15.50 billion</td>
<td>0.5%</td>
<td>$19.50 billion</td>
</tr>
<tr>
<td>2.0%</td>
<td>$16.50 billion</td>
<td>0.0%</td>
<td>$20.50 billion</td>
</tr>
</tbody>
</table>

The personal income tax credits for a fiduciary and an estate are eliminated.

Sales and Use Tax: The tax base is expanded to include the taxation of new services, including:
Additionally, the definition of admission is expanded to include a fee paid for the use of a boat ramp, and the definition of extended warranty services is expanded to include real property. The current exemption for admission to historical sites is removed. The current exemption for residential utilities will only apply to the resident’s place of domicile and will not apply to additional residential property owned. The threshold for exempting sales of services is reduced to $3,000 during a calendar year. Contracts executed prior to the date of introduction of the bill will remain in force until expiration or renewal.

**Car and Ride Sharing Tax:** A new transportation certificate is established for peer-to-peer car sharing, and a new tax is imposed for the privilege of providing a motor vehicle for sharing or for rent, with or without a driver, within the Commonwealth. The tax rate is 6 percent of gross
receipts and the tax will be administered and collected by the Department of Revenue, with receipts deposited in the General Fund. This will have a positive impact to the General Fund of $7.1 million in fiscal year 2022-2023 and $18.4 million in fiscal year 2023-2024.

**Transient Room Taxes:** Definitional terms and the tax base for the local and state-wide transient room taxes is conformed to the sales and use tax base.

**Electric Powered Vehicle Tax:** A new excise tax of three cents per kilowatt hour on electric vehicle power distributed in this state by an electric vehicle power dealer. The tax will be administered and collected by the Department of Revenue, with receipts deposited in the Road Fund.

**Battery Reclamation and Mitigation Fee:** A fee of $140 for electric vehicles and $70 for hybrid vehicles will be collected by the county clerk at the time of registration or renewal of registration and deposited in the General Fund. This will have a positive impact to the General Fund of $2 million in fiscal year 2022-2023 and $4.2 million in fiscal year 2023-2024.

**Other Provisions:**
- A statutory date change is made to allow certain public private partnerships for a capital project to occur without General Assembly approval
- The Department of Revenue is prohibited from collecting any consumer debts owed for health care goods and services
- Various interagency fees and procedures are continued related to state government operations

The estimated impact related to Individual Income tax is a negative $530.0 million in fiscal year 2022-2023 and $1,074.0 million in fiscal year 2023-2024. The estimated impact related to sales and use tax is a positive $57.8 million in fiscal year 2022-2023 and $149.7 million in fiscal year 2023-2024.

**DATA SOURCE(S):** LRC staff, Core Statistics – Economic Census
**PREPARER:** Jennifer Hays  **NOTE NUMBER:** 99  **REVIEW:** JAB  **DATE:** 3/3/2022