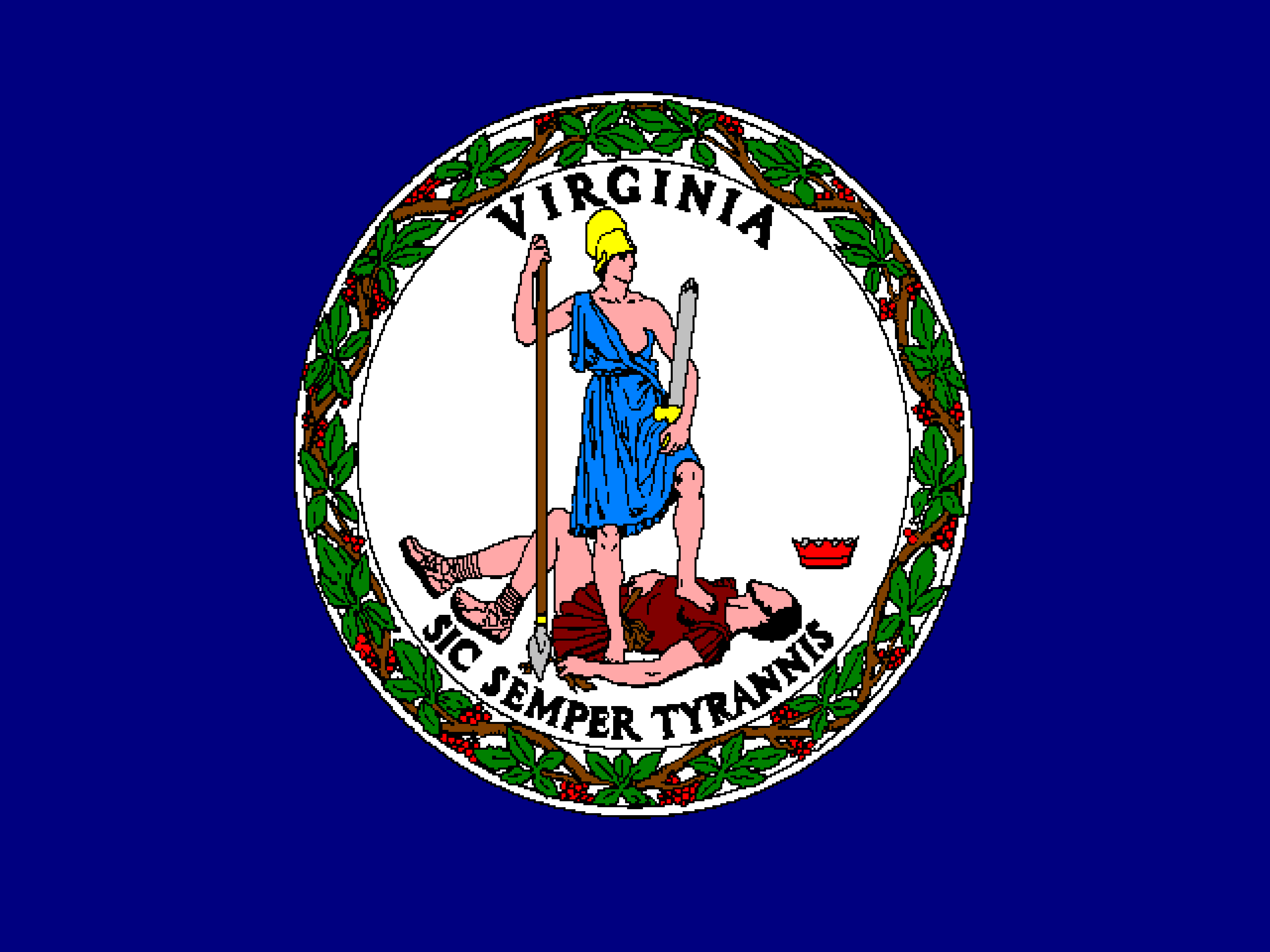
VIRGINIA
SIC SEMPER TYRANNIS

Car Tax Compliance Program

Virginia Department of Taxation
Gerald H. Gwaltney
Deputy Tax Commissioner

How Did We Get To This Point?

- APA Report - December 2000
- Budget Crisis
- $8.5 million in revenue is budgeted

Compliance Task Force

Composed of representatives from:

- DMV
- Department of Accounts
- Auditor of Public Accounts
- Virginia Municipal League
- Virginia Association of Counties
- Treasurers' Association
- Commissioners' Association
- Director of Finance

Compliance Task Force

- The Task Force recommended to the Tax Commissioner a program that will increase taxpayer compliance.
- The Task Force was required to complete its work no later than September 1, 2002.

Car Tax Compliance Program

Three components of the Program:

- Taxpayer Education
- Vehicle Use Certification
- Local & Tax Compliance Measures

Education

- Vehicle owners are to be informed in plain English about vehicle qualifications for car tax relief

Plain English

Opportunities for Taxpayer Education

- Vehicle titling
- Vehicle renewal registration
- Local decal licensing
- Personal property tax assessment
- Personal property billing

Certification

- Taxpayer certifies use of vehicle as either personal or business

- Certification occurs at
  - DMV
  - Local offices (Treasurer/Commissioner)

- Annually

Certification in Affirmative Filing Localities

- Certification obtained at filing of personal property return

- If this opportunity fails, certification may be obtained at any one of the following:
  1. Issuance of a decal or local license plate
  2. Payment of personal property tax bill
  3. Any other communication with the vehicle owner

Certification in File by Exception Localities

- Certification obtained at filing of personal property return when required

AND EITHER

1. Certification by payment

OR

2. Certification at issuance of decal

Compliance

- Localities required to implement a documented Compliance Program
- Tax will provide income tax data
- DMV will provide use data

TAX Audit

- TAX will audit for compliance with ACT
- Nonqualifing vehicles will be reported to DOA
- Error rate will be established

Substantially Non Compliant

- Locality substantially non compliant if locality fails to:

1. Provide Plain English taxpayer education

OR

2. Obtain certification by vehicle owners resulting in an error rate greater than 10%

OR

3. Implement compliance assurance measures

What Happens Then?

- Locality is granted a one year audit grace period to correct the deficiencies in the Compliance Program
- If locality fails to correct the deficiencies, the amount of reimbursement from DOA will be reduced by the error rate

Guidelines

- May be downloaded from TAX Website

www.tax.state.va.us