

ALERT

Capitol Contact

2019 Virginia General Assembly



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Capitol Contact ALERT –

Legislation Affecting Valuation of Machinery and Tools Headed to House Floor; Calls Needed

VACo opposes [HB 2640 \(Byron\)](#), which has been reported from the House Finance Committee and will be on the House floor later this week. A final vote could be held as soon as Thursday, January 31.

ACTION REQUIRED – VACo encourages members to contact their [Delegates](#) to oppose HB 2640.

This bill would change one of the methods of valuation of machinery and tools currently specified in statute. Valuing machinery and tools based on a percentage of the cost when purchased by the original owner is a longstanding practice that is used by many localities and has been affirmed by two opinions of the Attorney General and two rulings by the Tax Commissioner. Some localities use a static percentage of the original cost, which could be as low as 5 percent, and some use a percentage of the original cost that declines over time as the machinery ages.

The bill would provide that the valuation would instead be based on the cost of the equipment to the current owner, plus any cost incurred by the current owner to extend the useful life of the equipment, assuming the current owner acquired the equipment in

an arm's length transaction. This provision could create a situation in which the same equipment of the same age is valued differently, depending on whether it is still owned by the original owner or had been sold to a new owner. Several local government attorneys have also expressed concern that some transactions that are technically conducted at arm's length could nevertheless artificially reduce the value of the property. It should also be noted that current law already requires the Commissioner of the Revenue to consider any bona fide, independent appraisal of the property that is presented by the taxpayer.

KEY POINTS

- This bill would change long-standing practice and has the potential to reduce local revenues. Several localities responding to [the fiscal impact survey conducted by the Commission on Local Government on the bill](#) reported significant expected revenue losses should the bill pass, as well as additional administrative complexity in changing from a well-established valuation method to a new method.
- Taxpayers who feel that the current system unfairly values machinery and tools currently can submit an independent appraisal to the Commissioner of the Revenue, who must consider that appraisal in valuing the property.

KEY CONTACTS

[Virginia House of Delegates](#)

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