



**COMMONWEALTH of VIRGINIA**

**Department of Taxation**

December 14, 2012

**TO:** Jim Ingraham  
Administrative Manager, Special Taxes and Services

**FROM:** Mark C. Haskins  
Director, Policy Development Division

**SUBJECT:** Application of the Rental Taxes and Fee on Storage Trailers

House Bill 1798 and Senate Bill 1132 (*Acts of Assembly 2011, Chapters 405 and 639*) transfer the administration of the Rental Tax from the Department of Motor Vehicles ("DMV") to the Department of Taxation effective July 1, 2012. Taxes and fees are levied on the gross proceeds from the rental of motor vehicles in Virginia. The taxes are comprised of a four percent tax as well as a four percent additional tax and two percent fee on daily rental vehicles. The four percent tax is a state tax and is levied on the gross proceeds from the rental in Virginia of all motor vehicles with a gross vehicle weight rating or a gross combination weight rating of 26,000 pounds or less. Both the four percent additional tax and the two percent fee are levied on the gross proceeds from the rental in Virginia of any daily rental vehicle.

"Daily rental vehicle" is defined as a "motor vehicle, except a motorcycle or a manufactured home as defined in § 46.2-100, used for rental as defined herein and for the transportation of persons or property, whether on its own structure or by drawing another vehicle or vehicles." In December of 1997, DMV issued a Notice to Commissioners of Revenue and Directors of Finance regarding the application of the Rental Tax to storage trailers. In the bulletin, DMV states that vehicles used for on-site storage only, and are transported empty, are not subject to the four percent additional tax on daily rental vehicles. As the vehicles are not used to transport persons or property, such vehicles do not meet the statutory definition of "daily rental vehicle."

While the DMV bulletin does not address the two percent fee on daily rental vehicles, the two percent fee was not enacted until the 2004 General Assembly session. As storage trailers do not meet the statutory definition of a "daily rental vehicle," storage trailers are not subject to either the four percent additional tax or the two percent fee on daily rental vehicles.

MEMORANDUM  
December 14, 2012  
Page 2 of 2

The Department of Taxation has recently discovered that some taxpayers were collecting both the four percent tax on motor vehicles weighing 26,000 pounds or less as well as the two percent fee on daily rental vehicles on storage trailers used for on-site storage and transported empty. Given the statutory definition of "daily rental vehicles," only the four percent tax on motor vehicles weighing 26,000 pounds or less should be collected on such storage trailers.

Special Taxes and Services will notify the relevant taxpayers it can identify that storage trailers are only subject to the four percent tax. Additionally, Special Taxes and Services will notify such taxpayers that for periods beginning on or after July 1, 2012, taxpayers may receive a credit for refunds to customers for any two percent fee revenues collected and remitted to the Department of Taxation for the rental of storage trailers used for on-site storage and transported empty. No credit on the return will be given unless the taxpayer can show that he has refunded or credited the two percent fee to his customer. This is provided for in the "Collection of Tax" section, page nine, of the Guidelines for the Motor Vehicle Rental Taxes and Fee (June 25, 2012). "In the event that a rentor collects the Rental Tax on exempt or non-taxable transactions, the rentor must remit the erroneously or illegally collected tax to the Department unless or until the rentor can affirmatively show that the tax has been refunded to the customer or credited to his account."