



Department of Motor Vehicles  
Tax Services  
P.O. Box 27422  
Richmond, VA 23269-7422

# NOTICE TO ALL RENTAL TAX LICENSEES POLICY CHANGE REGARDING INSURANCE CHARGES & GENERAL CLARIFICATION REGARDING GROSS PROCEEDS

August 2010  
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## POLICY CHANGE REGARDING INSURANCE CHARGES

Virginia Code § 58.1-2402 levies a tax upon the rental of a motor vehicle in Virginia. The tax is levied at the following rates against gross proceeds:

- 4% of the gross proceeds from the rental in Virginia of any motor vehicle, except those with a gross vehicle weight rating or gross combination weight rating of 26,001 pounds or more,
- 4% of the gross proceeds on the rental in Virginia of any daily rental vehicle, and
- 2% of the gross proceeds on the rental in Virginia of any daily rental vehicle.

The term "gross proceeds" is defined in Virginia Code § 58.1-2401 as "the charges made or voluntary contributions received for the rental of a motor vehicle where the rental or lease agreement is for a period of less than twelve months." Gross proceeds are further defined by the Virginia Motor Vehicle Rental Taxes and Fees Rules and Regulations 24VAC20-100-10 to include charges for any services that are part of the rental contract, for collision coverage or waiver of property damage, public liability, or other forms of potential liability for the customer. However, gross proceeds does not include... (c)charges for optional accidental death insurance[.]"

It has come to the Department of Motor Vehicles' ("DMV") attention that some rental licensees had been failing to collect rental taxes on charges for optional insurance policies such as personal accident insurance, personal effects coverage, and supplemental liability protection. Upon review of the relevant statutory and regulatory provisions, DMV has determined that such a broad exclusion is not correct and is clarifying its policy accordingly so that there is no confusion.

Specifically, the only insurance related charges excluded from the definition of gross proceeds are those charges for optional accidental death insurance. All other insurance charges are subject to the taxes levied upon the rental of a motor vehicle in Virginia.

DMV will begin enforcing this policy change with tax returns filed for October 2010 rental activity. This should allow rental licensees adequate time to adjust to the policy change. All licensees must comply with the policy change by this time.

## **FURTHER CLARIFICATION REGARDING GROSS PROCEEDS**

In a June 2006 notice to rental licensees DMV provided clarification regarding gross proceeds. We are taking this opportunity to reiterate that clarification. Gross proceeds include charges that are part of or occurred because of the rental of a motor vehicle and are subject to the rental tax even if such charges are invoiced or billed separately from the actual rental contract. Such charges may include but are not limited to: parking tickets, delivery charges, pickup charges, recovery charges, pass through charges, transportation charges, third party service charges or any other charges, unless such charges are specifically exempt by statute or regulation. This applies even if the rental company does not impose a fee for such service and collects from their customer only the amount paid to a third party.

The only charges specifically excluded from gross proceeds pursuant to 24VAC20-100-10 include:

1. Cash discounts allowed and actually taken on a rental contract;
2. Finance charges, carrying charges, service charges, or interest from credit given on a rental contract;
3. Charges for motor fuels and fuels other than motor fuel which are subject to taxes imposed by Chapter 22 (§ 58.1-2200 et seq.) of Title 58.1 of the Code of Virginia;
4. Charges for optional accidental death insurance; and
5. Taxes or fees levied or imposed pursuant to Chapter 24 (§ 58.1-2400 et seq.) of Title 58.1 of the Code of Virginia.

Should you have questions regarding gross proceeds or other rental tax matters please do not hesitate to contact us for clarification.

## **CONTACT INFORMATION**

If you have any questions, contact DMV's Rental Tax Work Unit at:

(804) 367-4324 (voice)

(804) 367-5437 (fax)

(800) 272-9268 (deaf or hearing impaired only)

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