

## Department of Motor Vehicles 2004 Fiscal Impact Statement

### 1. Bill Number HB 60

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed  
Second House ☐ In Committee ☐ Substitute ☐ Enrolled

### 2. Patron Parrish

### 3. Committee House Finance

### 4. Title Motor fuels; tax increase.

### 5. Summary/Purpose:

Increases the tax on gasoline, diesel fuel, and alternative fuel by six and one-half cents per gallon, increases the motor carrier road tax by an equivalent of six and one-half cents per gallon of fuel used in the Commonwealth, and increases the alternative use fee for certain motor carriers from \$100 to \$150 (the fee is an alternative to paying the motor carrier road tax). The revenue generated is to be used for transportation purposes as required by existing law. **For similar legislation, see HB 428 (Watts) and HB 885 (Plum).**

### 6. Fiscal Impact Estimates are preliminary:

#### 6b. Revenue Impact: (in millions of dollars)

<u>Fiscal Year</u>	<u>HMOF</u>	<u>TTF</u>	<u>DMVSF</u>	<u>Total</u>
2005	285.2	40.5	3.8	329.5
2006	294.4	41.6	4.0	339.9
2007	303.6	42.7	4.1	350.4
2008	311.0	43.6	4.2	358.8
2009	317.1	44.5	4.3	365.9
2010	323.5	45.4	4.4	373.2

#### 6.5 Cents Increase in Motor Fuels Tax

##### *Assumptions*

1. Gallons of motor fuel in from the November 2003 CTF official forecast
2. Short-term elasticity for gasoline of -0.26
3. No elasticity for diesel as the price increase will be passed to consumers
4. Retail price of gas is \$1.47 over the forecast horizon
5. The allocation percentages remain the same

#### \$50 Increase in the Alternative Road Tax

##### *Assumptions*

1. The number of transactions will remain at the FY03 (first year of the program) level.
2. The average per transaction will increase, in addition to the increased price.

## **6.5 Cent Increase in the Road Tax**

### ***Definitions***

Taxable Gallons = # of gals used in Virginia, determined by formula

Total Gallons = # of gals purchased in Virginia

Road Tax (current law) = 19.5 cents per gallon

Credit = 16 cents per gallon

HMOF portion (current law) = Taxable Gals \* .17 – Total Gals \* .15

TTF portion (current law) = Taxable Gals \* .025 – Total Gals \* .01

## **7. Budget amendment necessary: Yes**

8. **Fiscal implications:** Currently, road tax collections have been declining due to the cost differential between Virginia's motor fuels tax and its neighbors. More gallons of gasoline have been purchased in the state than have been used in the state.

If it were assumed that the number of gallons purchased would not change after the tax increase, the impact of the increase would be decidedly negative as the ratio of credit to tax would rise from 88% to 91%. However, it is assumed that the amount of gallons purchased in Virginia would fall due to the closing of the price gap between Virginia and its neighboring states. For purposes of this impact, it is assumed that total gallons purchased in Virginia would decline by 10%. A 10% decrease in total gallons would serve to close the gap between total and taxable gallons resulting in a small negative impact.

HB60 would not change the distribution to the TTF.

9. **Specific agency or political subdivisions affected:** DMV, Commonwealth Transportation Trust Fund

## **10. Technical amendment necessary: No**

11. **Other comments:** Revenue estimates and fiscal implications provided by the Department of Taxation.

**Date:** 01/19/04/jmc

**Document:** G:\LLSDATA\2004 Legislation\Session\DPB Fiscal Impact Statements\HB60.DOC

cc: Secretary of Transportation