

## Department of Planning and Budget

### 2006 Fiscal Impact Statement

**1. Bill Number:** HB1555

**House of Origin**    ☒ Introduced    ☐ Substitute    ☐ Engrossed

**Second House**    ☐ In Committee    ☐ Substitute    ☐ Enrolled

**2. Patron:** Rust

**3. Committee:** Transportation

**4. Title:** Transportation funding; Northern Virginia.

**5. Summary/Purpose:** This bill provides new funding for transportation in the Cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park and the Counties of Arlington, Fairfax, Loudoun, and Prince William. The sources of the new funds are: (i) civil penalties for certain offenses relating to the operation of a motor vehicle by persons residing in any of the localities; (ii) additional motor vehicle registration fees for trailers, semitrailers, and trucks with a gross weight over 12,000 pounds registered in any of the localities; (iii) an additional fee on the rental of motor vehicles in the localities; (iv) a transportation impact fee on the sale of real property in any of the localities; (v) dedication of current sales and use tax on motor vehicle repair parts and accessories sold in any of the localities; and (vi) a transient occupancy tax on rooms in the localities.

**6. Fiscal impact estimates are preliminary. See Item #8.**

**6a. Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2005-06	\$365,381	-	NGF
2006-07	-	-	-
2007-08	\$291,125	-	GF
2008-09	\$20,200	-	GF
2009-10	\$69,112	1	GF
2010-11	\$71,124	1	GF
2011-12	\$73,137	1	GF

**6b. Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2006-07	-\$41.0 million		GF
	-\$6.0 million		Transportation Trust Fund
	\$343.0 million		NGF
2007-08	-\$46.0 million		GF
	-\$7.0 million		Transportation Trust Fund
	\$377.3 million		NGF
2008-09	-\$48.0 million		GF
	-\$7.0 million		Transportation Trust Fund
	\$422.2 million		NGF

2009-10	-\$50.0 million	GF
	-\$7.0 million	Transportation Trust Fund
	\$425.7 million	NGF
2010-11	-\$52.0 million	GF
	-\$7.0 million	Transportation Trust Fund
	\$429.2 million	NGF
2011-12	-\$53.0 million	GF
	-\$8.0 million	Transportation Trust Fund
	\$432.9 million	NGF

**7. Budget amendment necessary:** Yes, Item 265 and Item 435.

**8. Fiscal implications:** This bill would provide specific revenues from multiple sources for the Northern Virginia Transportation District Fund. While the bill does not increase the overall sales tax rate, it dedicates the sales tax paid on repair and maintenance parts for motor vehicles in the Northern Virginia Transportation District to the Fund. This action would have a negative impact on the general fund and the Transportation Trust Fund, since these funds currently receive the revenues.

The bill specifies that additional revenues for the Northern Virginia Transportation District Fund would be provided through six sources imposed within the district: new civil remedial fees for dangerous drivers (bad driver fees), an increase in the registration fee on trailers and heavy-duty trucks, an earmarking of the sales tax on motor vehicle repair and maintenance parts, a flat \$5 fee on transient lodging, an increased recordation tax, and a one percent tax on the gross proceeds of vehicle rentals. Based on estimates provided by the Department of Taxation and the Department of Motor Vehicles, implementation of the bill would generate the revenues reflected in the following table.

(in millions of dollars)

Source	2007	2008	2009	2010	2011	2012
Remedial fees for dangerous drivers	\$27.2	\$34.6	\$41.9	\$41.9	\$41.9	\$41.9
Increased registration fees on trailers & heavy-duty trucks <sup>1</sup>	6.9	7.2	7.5	7.8	8.1	8.5
Sales tax on repair parts/accessories	47.0	53.0	55.0	57.0	59.0	61.0
Fee on transient lodging <sup>2</sup>	-	18.0	45.0	46.0	47.0	48.0
Recordation fee increase	254.4	256.8	264.8	264.8	264.8	264.8
Tax on vehicle rentals	7.5	7.7	8.0	8.2	8.4	8.7
<b>Total</b>	<b>\$343.0</b>	<b>\$377.3</b>	<b>\$422.2</b>	<b>\$425.7</b>	<b>\$429.2</b>	<b>\$432.9</b>

<sup>1</sup> Does not include those heavy-duty trucks registered under the International Registration Program

<sup>2</sup> Revenue impact for transient occupancy tax is a 5-month effect in FY 2008

The Department of Taxation would incur administrative costs for systems development, processing, and audit initiatives related to the lodging fee and would require one additional auditor to enforce the fee in FY 2010. The Department of Motor Vehicles would require one-time funding of \$365,381 in FY 2006 to modify existing systems and applications to meet the functional requirements of the legislation. In addition, the bill, as introduced, would require changes to virtually all of the Department of Taxation's Integrated Revenue Management System subsystems to allow the processing of the anticipated level of sales tax returns related to earmarked sales tax.

**9. Specific agency or political subdivisions affected:** Department of Taxation, Department of Motor Vehicles, cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park, counties of Arlington, Fairfax, Loudoun, and Prince William, Auditor of Public Accounts.

**9. Technical amendment necessary:** The Department of Taxation notes that a substitute bill could be drafted to allow for the distribution of state sales and use tax revenues as proposed in this bill, using a proxy that would approximate the amount of sales tax attributable to the tax that would be collected on the sale of automotive repair and maintenance parts in the localities that comprise the Northern Virginia Transportation District. Using a proxy measure to determine the amount of tax to be distributed would eliminate the cost of the Department of Taxation having to make the changes to its systems and would avoid confusion among retailers collecting the tax.

The Department of Taxation notes that rather than capture the data related to the actual sales, the distribution could be based on the same data used to determine the revenue impact of this change. The distribution could be based on a formula using the most recent Economic Census for Virginia, which has data on sales by product line, and a population factor comparing the population assigned to the Northern Virginia Transportation District to the entire state population as a whole. This approach would provide an approximate revenue reallocation to the Northern Virginia Transportation District. A similar approach was adopted in 1998 (Chapter 320, 1998 Acts of Assembly) to allow for a distribution of state sales tax to the Department of Game and Inland Fisheries related to sporting goods sales in the Commonwealth.

**11. Other comments:** This bill is a companion to SB 701.

**Date:** 2/3/06/jlv

**Document:** G:\06-08\Fis\Dmv\Hb1555.Doc Janet Vogelgesang

cc: Secretary of Transportation