

Department of Planning and Budget 2006 Fiscal Impact Statement

1. Bill Number **HB 5014**

House of Origin	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron Scott, J.M.

3. Committee House Finance

4. Title Funding of transportation needs in Northern Virginia

5. Summary/Purpose:

State law establishes the Northern Virginia Transportation Authority (NVTa). The Authority has the responsibility of overseeing and planning for transportation issues and needs in the region. It also may construct or acquire transportation facilities included in the regional transportation plan adopted for Planning District Eight. To enable it to carry out its responsibilities, NVTa is authorized to issue bonds.

The proposed legislation authorizes the counties and cities that are members of NVTa to impose additional taxes, provided that the revenues from such additional taxes are transferred to NVTa and used for transportation purposes within the region. The localities affected are the counties of Arlington, Fairfax, Loudoun, and Prince William and the cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park.

The new taxes that these counties and cities would be authorized to levy are as follows:

- Sales and use tax—an additional 0.5 percent on all products and uses now subject to the local sales and use tax with the exception of food purchased for human consumption.
- Gas and other motor vehicle fuels tax—2 percent of the retail price of such fuels.
- Motor vehicle sales and use tax—1.5 percent tax on the sale of motor vehicles.
- Motor vehicle insurance premiums—2.25 percent of the gross premium income from insurance policies for motor vehicles registered in the county of city.

The revenues from the additional taxes would be used by NVTa in the following manner:

- First \$50 million each year distributed to the Washington Metropolitan Area Transit Authority for use as the required match for federal funds. Such distribution would be

made, however, only if the counties of Arlington and Fairfax and the city of Alexandria each imposed all of the newly authorized taxes.

- Remaining revenues used solely for transportation projects for the primary benefit of those counties and cities that imposed all of the newly authorized taxes.

Finally, the proposed legislation would expand the membership of the NVTAG governing body. Currently, among other members, the NVTAG includes three members of the General Assembly from the region—two members of the House of Delegates and one from the Senate. The legislation would increase the membership to four Delegates and two Senators. It would also add one mayor of a town with a population of at least 3,500 to the membership.

6. Fiscal Impact Estimates are: Preliminary. See Item 8.

7. Budget amendment necessary: Yes.

8. Fiscal implications:

The table below shows the estimated revenue that would result if all the affected localities exercised their option to impose the additional taxes authorized in the proposed legislation:

(Dollar amounts shown in millions)

Tax	FY 2007	FY 2008	FY 2009	FY 2010
0.5% Sales and use tax	\$0.0	\$150.6	\$172.2	\$180.0
2% gas tax	\$15.3	\$41.6	\$43.0	\$44.0
1.5% Motor vehicle sales tax	\$19.5	\$47.5	\$47.8	\$48.1
2.25% insurance premium tax	Unknown—see discussion below			

Because the data concerning motor vehicle insurance premium taxes is collected on an insurance company basis, and not on the basis of the locality in which the premiums are paid, it is not feasible to project the revenues from this additional tax. However, based on the percentage of the motor vehicles in the Commonwealth that are registered in the Northern Virginia localities, the Department of Taxation estimates that the tax would produce revenues of \$125 to \$175 million annually.

The Department of Taxation estimates that it will incur administrative costs related to implementation of this bill for systems development of \$1.2 million in FY 2007, and approximately \$3,000 per year thereafter.

9. Specific agency or political subdivisions affected:

Northern Virginia Transportation Authority
Arlington County
Fairfax County
Loudoun County
Prince William County
Alexandria
Fairfax City
Falls Church
Manassas
Manassas Park

10. Technical amendment necessary: None.

11. Other comments:

According to the Department of Taxation, the provisions of the proposed legislation relating to the increase in the tax on motor vehicle insurance premiums could raise retaliatory tax credit issues.

Although the bill would take effect on January 1, 2007 or February 1, 2007, depending on when the special session adjourns, it would take the Department of Taxation longer than that to modify their systems related to the collection of the sales and use tax. In projecting the increased revenue that the bill would produce from this source, the department assumed that it would not become effective until July 1, 2007.

Date: 09/25/06 / rwh

Document: G:\LEGIS\Sept 06 Session\HB5014.DOC Dick Hall-Sizemore