

# DEPARTMENT OF TAXATION

## 2006 Fiscal Impact Statement

1. **Patron** Jeffrey M. Frederick

3. **Committee** House Finance

4. **Title** Retail Sales and Use Tax: Re-Allocation of  
Certain Sales and Use Tax Revenue

2. **Bill Number** HB 5030

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

### 5. **Summary/Purpose:**

This bill would require that beginning on July 1, 2007, an amount of state sales tax revenue equal to a .25% sales and use tax from sales generated in the counties of Arlington and Fairfax, and the cities Alexandria, Fairfax, and Falls Church, be set aside and deposited into Washington Area Metropolitan Transit Authority Matching Fund ("Matching Fund"). Revenues from this Fund will be distributed to the Washington Metropolitan Area Transit Authority ("WMATA") as required under federal law.

The effective date of this bill is not specified.

6. **Fiscal Impact Estimates are:** Tentative. (See Line 8.)

### **Revenue Impact:**

<i><b>Fiscal Year</b></i>	<i><b>Dollars</b></i>	<i><b>Fund</b></i>
2007-08	(\$63.5 million) \$63.5 million	GF – Unrestricted Matching Fund
2008-09	(\$66.6 million) \$66.6 million	GF – Unrestricted Matching Fund
2009-10	(\$69.6 million) \$69.6 million	GF – Unrestricted Matching Fund
2010-11	(\$72.6 million) \$72.6 million	GF – Unrestricted Matching Fund
2011-12	(\$75.7 million) \$75.7 million	GF – Unrestricted Matching Fund

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

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**8. Fiscal implications:**

**Administrative Costs Impact**

TAX would incur minimal administrative costs if this bill is enacted.

**Revenue Impact**

This bill would require an additional appropriation from the General Fund into a newly created special, non-reverting, "Matching Fund" to be distributed to the Washington Area Metropolitan Transit Authority equal to the amount of a .25% sales and use tax from sales generated in the counties of Arlington and Fairfax, and the cities of Alexandria, Fairfax, and Falls Church. The amount of revenue shift from the General Fund to the Matching Fund is estimated to be \$63.5 million in FY 2008, \$66.6 million in FY 2009, \$69.6 million in FY 2010, \$72.6 million in FY 2011, and \$75.7 million in FY 2012. Revenues from this Fund will be distributed to the Washington Area Metropolitan Transit Authority as required under federal law.

To implement a transfer of this magnitude from the General Fund would require a reduction of an equal amount of General Fund support from other areas with significant General Fund support.

**9. Specific agency or political subdivisions affected:**

Department of Taxation  
Department of Treasury

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

**11. Other comments:**

This bill does not increase the overall sales tax rate, but re-allocates existing state sales and use tax to a newly established non-reverting fund entitled the Washington Area Metropolitan Transit Authority Matching Fund. As required by Federal law, funds from the Matching Fund will be distributed annually to the Washington Metropolitan Area Transit Authority (WMATA). Currently, Representative Tom Davis introduced legislation (H.R. 3496) that is pending before the 109<sup>th</sup> Congress. This federal legislation would authorize the appropriation of \$1.5 billion in matching federal funds over 10 years beginning in federal fiscal year 2007, or until expended for grants to the WMATA for purposes of funding in part capital and preventive maintenance projects.

cc : Secretary of Finance

Date: 09/21/2006 WBS  
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