

Department of Planning and Budget

2006 Fiscal Impact Statement

1. Bill Number: HB5084

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

3. Committee: Finance

4. Title: Motor fuels tax

5. Summary/Purpose: This bill changes the rates of taxation on motor fuels from specific cents-per-gallon rates to percentage rates. The percentage rates would be applied against the average price per gallon of the fuel, less federal and state taxes, as determined by the Commissioner of the Division of Motor Vehicles over rolling six-month periods. The bill is effective January 1, 2007.

6. Fiscal impact estimates are preliminary.

7. Budget amendment necessary: Yes, Items 443 and 444.

8. Fiscal implications: This bill would require the Commissioner of the Department of Motor Vehicles (DMV) to set fuels tax rates based on average self-service retail fuel prices for specific fuel grades for specific periods of time. Companies responsible for collecting and remitting fuels taxes to the Commonwealth would be responsible for establishing and maintaining systems and operations to support collection of varying fuels tax rates.

Under this bill, rather than the current 17.5 cents per gallon levied on gasoline, an amount per gallon equal to 7.3 percent of the statewide average retail price of a gallon of self-serve regular gasoline excluding federal and state excise taxes would be charged. For diesel fuel, rather than the current 16 cents per gallon, an amount per gallon equal to 6.5 percent of the average retail price of self-serve diesel excluding federal and state excise taxes would be charged.

The breakeven point for gasoline, where 7.3 percent equates to the revenue currently derived from the 17.5 cents per gallon tax, would be an average price per gallon of \$2.397 (excluding federal and state excise taxes). The breakeven point for diesel fuel, where 6.5 percent equates to the revenue currently derived from the 16 cents per gallon tax, would be an average price per gallon of \$2.461 (excluding federal and state excise taxes). Under the provisions of this bill, when the average price for gasoline rises above \$2.397 and the average price for diesel fuel rises above \$2.461, the Commonwealth Transportation Fund would experience an increase in revenues. Conversely, when the average price for gasoline falls below \$2.397 and the average price for diesel fuel falls below \$2.461, the Fund would experience a decrease in revenues.

9. Specific agency or political subdivisions affected: Department of Motor Vehicles, Virginia
Department of Transportation.

10. Technical amendment necessary: No.

11. Other comments: The base periods used to compute the amount of tax may also create uncertainty, with taxes possibly being refunded or credited to certain motor carriers at rates higher or lower than they were initially collected.

Date: 9/21/06 /jlv

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cc: Secretary of Transportation