

## Department of Planning and Budget

### 2007 Fiscal Impact Statement

**1. Bill Number** SB 843

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

**2. Patron**        Devolites Davis**3. Committee**    Senate Transportation**4. Title**            Special Transportation Fund of Northern Virginia; created imposition of additional taxes in certain localities.**5. Summary/Purpose:**

This revised fiscal impact statement better estimates the revenues generated by the bill. See Item 6b.

The proposed legislation increases the state grantor's tax to \$0.50 per \$100 of value in the localities which comprise the Northern Virginia Transportation Authority (the Authority). The bill would also authorize the governing bodies of such counties and cities to impose a local (i) initial registration fee at the time a vehicle is first registered by the vehicle owner at the rate of 0.50 percent of the value of the vehicle and (ii) retail sales and use tax at the rate of 0.50 percent. All revenues from the increase in the state grantor's tax and the local option registration fee and sales tax would be deposited into a special transportation fund. The Authority would be required to use each dollar of revenue from the increase in the state grantor's tax for transportation projects in the county or city from which such revenue was generated. Revenue generated by the license fee and the sales and use tax would be used for specific transportation purposes.

The Northern Virginia Transportation Authority was created by the Virginia General Assembly on July 1, 2002, and charged with developing a regional transportation plan for the Northern Virginia Planning District Commission. The Authority's voting members are representatives of the Counties of Arlington, Fairfax, Loudoun, and Prince William, and the Cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park, a member of the Virginia Senate, two members of the House of Delegates and two gubernatorial appointees. The Commissioner of VDOT and the Director of the Department of Rail and Public Transportation serve as non-voting members.

The proposed legislation would increase the number of members of the Authority, adding two additional members of the House of Delegates, one from the Senate of Virginia and a representative of a town with a population over 3,500 contained in one of the participating counties.

**6. Fiscal Impact Estimates are: Preliminary.****6a. Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2006-07	\$176,210	0	GF
2007-08	\$336,911	0	GF
2008-09	\$3,066	0	GF
2009-10	\$3,158	0	GF
2010-11	\$3,253	0	GF
2011-12	\$3,350	0	GF
2012-13	\$3,450	0	GF

The Department of Taxation would incur administrative costs in the implementation of this bill as shown above.

**6b. Revenue Impact:****Total Nongeneral Fund Revenue Generated by Senate Bill 843 (in Millions)**

	<u><b>FY 08</b></u>	<u><b>FY 09</b></u>	<u><b>FY 10</b></u>	<u><b>FY 11</b></u>	<u><b>FY 12</b></u>	<u><b>FY 13</b></u>
Grantor's Tax	151.6	163.6	172.0	172.4	173.6	175.2
Registration Fees	30.1	31.1	32.0	32.2	32.4	32.6
Local Sales Tax	<u>121.7</u>	<u>171.4</u>	<u>180.7</u>	<u>189.2</u>	<u>196.9</u>	<u>205.0</u>
Total	\$303.4	\$366.1	\$384.7	\$393.8	\$402.9	\$412.8

**7. Budget amendment necessary:** Yes. Item 265 and Item 269.**8. Fiscal implications:****Grantor's Tax**

The proposed legislation would continue the grantor's tax at \$0.10 per \$100 for the state, except in the Northern Virginia, where the tax rate would be increased to \$0.50 per \$100. The legislation would direct \$0.40 per \$100 to a Special Transportation Fund for Northern Virginia. Of the remaining amount, \$0.05 per \$100 would be directed to the general fund and the \$0.05 per \$100 would be returned to the city or county from which it originated. Under the current Code of Virginia, \$0.05 per \$100 is deposited in the general fund and \$0.05 per \$100 is distributed back to the locality.

Funds in the Special Transportation Fund for Northern Virginia raised by the grantor's tax may only be used for state secondary system or urban system highway projects in the county or city from which they originated.

**One-time License Fee and Sales Tax Increase**

The proposed legislation would create two new sources of revenue and distribute the funds to the Northern Virginia Transportation Authority. The bill would permit the localities of the Authority to charge an initial, one-time license fee on all vehicles at a rate of 0.50 percent of the value of the vehicle. The localities would transfer the funds to the Authority.

The proposed legislation would also allow Authority members to charge an additional local sales and use tax at a rate of one-half percent, provided the revenues collected are transferred to the Authority. The revenue is to be deposited into a special trust fund. The additional sales and use tax is not to be levied on food purchased for human consumption.

The revenue from the one-time license fee and the additional sales and use tax is to be used as follows:

- 1) The first \$50 million would be distributed to the Washington Metropolitan Area Transit Authority (WMATA) to be matched as may be required by federal law.
- 2) The next \$25 million shall be distributed to the Virginia Railway Express for capital or operating costs.
- 3) All remaining funds are to be used by the Authority for transportation projects within the localities which comprise the Authority.

The proposed legislation would prohibit the Authority from using funds in the Special Transportation Fund in such a way that would establish a tax-supported debt of the Commonwealth.

**9. Specific agency or political subdivisions affected:** Counties of Arlington, Fairfax, Loudoun and Prince William, Cities of Alexandria, Falls Church, Fairfax, Manassas, and Manassas Park, Commonwealth Transportation Board, Department of Transportation, Department of Taxation, Washington Metropolitan Area Transit Authority, Virginia Railway Express

**10. Technical amendment necessary:** Yes.

In order to allow the Department of Taxation sufficient time to make the systems changes necessary to implement the local sales and use tax and notify dealers of the increase, the following amendment is suggested:

Page 5, Line 278, after repealed, insert: 5. That the provisions of this act adding § 58.1-605.1, § 58.1-606.1 and § 58.1-639.1 shall become effective September 1, 2007.

**11. Other comments:** The \$50 million payment to WMATA is in response to proposed federal legislation which designates \$150 million annually for the next 10 years to WMATA, pursuant to the establishment of a dedicated state or local funding source for the cost of operating and maintaining the transit system. The federal bill, introduced by Representative Tom Davis, passed the House of Representatives, but failed to clear the Senate before the 109<sup>th</sup> Congress adjourned. Representative Davis has reintroduced the bill in the 110<sup>th</sup> Congress.

**Date:** 01/10/07 / smc

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REVISED 1/26/07

cc: Secretary of Finance  
Secretary of Transportation