

DEPARTMENT OF TAXATION

2009 Fiscal Impact Statement

1. **Patron** Richard L. Saslaw

2. **Bill Number** SB 1532

3. **Committee** House Finance

House of Origin:

☐ Introduced

☐ Substitute

☐ Engrossed

4. **Title** Motor Vehicle Fuel Sales Tax; Imposition on Distributors

Second House:

☒ In Committee

☐ Substitute

☐ Enrolled

5. **Summary/Purpose:**

This bill would repeal the current Motor Vehicle Fuel Sales Tax imposed in the Northern Virginia Transportation District and the Potomac and Rappahannock Transportation District and would impose a new license tax on distributors engaged in the business of selling fuels at wholesale to retail dealers for retail sale in the Northern Virginia Transportation District and the Potomac and Rappahannock Transportation District. The new license tax would be imposed at a rate of 2.1 percent of the sales price charged by the distributor for motor fuels and remitted monthly to TAX. Distributors would be allowed a dealer discount of 2 percent of the tax collected as compensation for accounting for and remitting the tax.

Under current law, a 2% Motor Vehicle Fuel Sales Tax tax is levied in the localities that comprise the Potomac and Rappahannock Transportation District and the Northern Virginia Transportation District. The revenue from the tax is distributed monthly to the appropriate district and is used for transportation needs within the district.

The effective date of this bill is January 1, 2010.

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

6b. **Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2008-09	\$0	NGF
2009-10	\$0.2	NGF
2010-11	\$0.4	NGF
2011-12	\$0.4	NGF
2012-13	\$0.5	NGF
2013-14	\$0.5	NGF

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

Item(s): Page 1, Revenue Estimates

8. Fiscal implications:

Administrative Costs

While the number of distributors of motor fuels in the Potomac and Rappahannock Transportation District and the Northern Virginia Transportation District is unknown, TAX will work with the Department of Motor Vehicles ("DMV") to identify and notify the affected dealers. TAX estimates that the cost and effort of doing this will be minimal. TAX considers implementation of this bill as "routine," and does not require additional funding.

Revenue Impact

This bill would impose a license tax on distributors of motor fuels in the Potomac and Rappahannock Transportation District and the Northern Virginia Transportation District at the rate of 2.1 percent of the sales price charged by the distributor for motor fuels instead of the current Motor Vehicle Fuel Sales Tax at the rate of 2 percent of the retail sales price of the motor fuels. The price markup from a distributor's sales price to the retail sales price varies with many factors and from business to business. A University of Wisconsin study found that the average price markup on retail gasoline sales was approximately 4%.

If a 4% markup is assumed, passage of this bill would result in an estimated revenue gain of \$0.2 million in Fiscal Year 2010, \$0.4 million in Fiscal Year 2011, \$0.4 million in Fiscal Year 2012, \$0.5 million in Fiscal Year 2013, and \$0.5 million in Fiscal Year 2014 to the Potomac and Rappahannock Transportation District and the Northern Virginia Transportation District.

9. Specific agency or political subdivisions affected:

Department of Taxation
Northern Virginia Transportation District
Potomac and Rappahannock Transportation District

10. Technical amendment necessary: No.

11. Other comments:

Background

Under current law, a 2% Motor Vehicle Fuel Sales Tax is levied in the localities that comprise the Potomac and Rappahannock Transportation District and the Northern Virginia Transportation District. The revenue from the tax is distributed monthly to the appropriate district and is used for transportation needs within the district. As the tax is subject to the provisions of the Virginia Retail Sales and Use Tax Act, dealers are also allowed a discount of either 4%, 3%, or 2%, depending on monthly taxable sales, of the Motor Vehicle Fuel Sales Tax collected.

Proposal

This bill would repeal the current Motor Vehicle Fuel Sales Tax imposed in the Northern Virginia Transportation District and the Potomac and Rappahannock Transportation District and would impose a new license tax on distributors engaged in the business of selling fuels at wholesale to retail dealers for retail sale in the Northern Virginia Transportation District and the Potomac and Rappahannock Transportation District. The new license tax would be imposed at a rate of 2.1 percent of the sales price charged by the distributor for motor fuels and remitted monthly to TAX. Distributors would be allowed a dealer discount of 2 percent of the tax collected as compensation for accounting for and remitting the tax.

Under current law, a 2% Motor Vehicle Fuel Sales Tax is levied in the localities that comprise the Potomac and Rappahannock Transportation District and the Northern Virginia Transportation District. The introduced Executive Budget assumes the repeal of the current dealer discount allowed to motor fuels dealers. The revenue from the tax is distributed monthly to the appropriate district and is used for transportation needs within the district.

The effective date of this bill is January 1, 2010.

cc : Secretary of Finance

Date: 2/10/2009 AM
DLAS File Name: SB1532FE161