

Department of Planning and Budget 2010 Fiscal Impact Statement

1. Bill Number: SB114

House of Origin X Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. Patron: Petersen

3. Committee: Finance

4. Title: **Fuels taxes; indexing of tax rates**

5. Summary: This bill increases or decreases each year the rates of Virginia's fuels taxes using a fuel efficiency index. The bill would define the fuel efficiency index as the quotient that is obtained when using as the numerator the total annual vehicle miles traveled in the Commonwealth for the relevant year and using as the denominator the total gallons of motor fuel consumed for highway use in the Commonwealth for the relevant year. The numerator and denominator would be the corresponding amounts as published by the Federal Highway Administration of the United States Department of Transportation.

6. Fiscal impact estimates: Preliminary.

6a. Expenditure impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2010	-	-	-
2011	\$7,150	-	NGF
2012	-	-	-

6b. Revenue impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2010	-	-
2011	\$8,700,000	NGF
2012	\$50,700,000	NGF
2013	\$61,200,000	NGF
2014	\$60,800,000	NGF
2015	\$57,400,000	NGF
2016	\$52,200,000	NGF

7. Budget amendment necessary: Yes, Item 452.

8. Fiscal implications: The Department of Motor Vehicles would incur a one-time expenditure of \$7,150 to implement the provisions of this legislation. In addition, the agency would have to make ongoing but undetermined expenditures in order to calculate the new tax rate each year and communicate that information to taxpayers. The agency anticipates that it would be able to absorb this cost.

The Department of Taxation has provided estimates of the revenue impact of the proposed change to the fuels tax rate. Those estimates were calculated based on available data, much of which is from 2007. As such, data are not available to calculate the effects of the recent deep recession, increased sales of more fuel efficient vehicles, or the new federal corporate average fuel efficiency (CAFE) standards. These factors would have a significant impact on the amount of revenue generated under the proposed legislation.

Along with establishing new fuels tax rates, this legislation would raise from \$150 to \$175 the fee that § 58.1-2701(B) imposes in lieu of the per-gallon road tax for motor carriers operating heavy trucks that are not registered under the International Registration Plan (i.e., intrastate carriers). The current fee generated \$4.94 million in FY 2009 and \$5.195 million in FY 2008. This proposed fee increase is expected to generate approximately \$825,000 per year.

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

10. Technical amendment necessary: No.

11. Other comments: Since this bill would not only raise fuels tax revenue but also increase the liabilities of those entities that pay the fuels tax, some consideration may be given to increasing the current statutory provisions regarding the security (bond or certificate of deposit) required from taxpayers pursuant to Va. Code §§ 58.1-2211 and -2246.

Date: 1/18/10/jlv

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cc: Secretary of Transportation