

DEPARTMENT OF TAXATION

2012 Fiscal Impact Statement

1. **Patron** Joe T. May

3. **Committee** House Finance

4. **Title** Transportation Funding; Pump Toll

2. **Bill Number** HB 802

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would impose a pump toll of \$0.50 on each sale by a retail dealer in the Commonwealth of conventional and clean fuel subject to the Virginia Fuels Tax. An additional \$0.50 pump toll is imposed on sales of 35 gallons or more. The bill would also impose the pump toll on bulk conventional fuel sold by distributors at a rate of \$1.00 for each 12 gallons of gasoline sold and \$1.00 for each 60 gallons of diesel sold. The Department of Motor Vehicles ("DMV") would determine the rate of the pump toll for bulk clean fuel sold by distributors. The rate of the tolls would increase by 10 percent on January 1, 2018, and every five years thereafter.

The pump toll is imposed in the nine highway construction districts into which the Commonwealth is divided. The revenues from the pump toll would be allocated back to the highway construction district in which the fuel was sold. The pump toll on the sale of conventional fuel by retail dealers and bulk conventional fuel sold by distributors would be repealed if an increase in the Virginia Fuels Tax on gasoline and gasohol, diesel, blended, and aviation jet fuel is imposed for road maintenance purposes.

The Department of Taxation would be responsible for administering and collecting the pump toll on conventional fuel sold by retail dealers. DMV would be responsible for administering and collecting the pump toll on clean fuel sold by retail dealers and on bulk fuel sold by distributors.

This bill would also prohibit any tolls from being imposed on any existing component of the Interstate Highway System unless such tolls are for the purpose of constructing and maintaining a new highway or bridge or expanding the lane mile capacity of an existing highway or bridge.

The effective date of this proposal is January 1, 2013.

6. **Budget amendment necessary:** Yes.

ITEM(S): 262 and 264, Department of Taxation

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

7a. Expenditure Impact:

Department of Taxation

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2011-12	\$4,000	0	NGF
2012-13	\$502,000	1	NGF
2013-14	\$329,000	6	NGF
2014-15	\$489,000	6	NGF
2015-16	\$500,000	6	NGF
2016-17	\$512,000	6	NGF
2017-18	\$524,000	6	NGF

Department of Motor Vehicles

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2011-12	\$0	0	NGF
2012-13	\$329,000	5	NGF
2013-14	\$497,000	5	NGF
2014-15	\$497,000	5	NGF
2015-16	\$497,000	5	NGF
2016-17	\$497,000	5	NGF
2017-18	\$497,000	5	NGF

7b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2011-12	\$0	NGF
2012-13	\$74.9 million	NGF
2013-14	\$183.5 million	NGF
2014-15	\$188.4 million	NGF
2015-16	\$193.9 million	NGF
2016-17	\$199.6 million	NGF
2017-18	\$214.5 million	NGF

8. Fiscal implications:

Administrative Costs

Department of Taxation

The Department of Taxation would incur administrative expenses of \$4,000 in Fiscal Year 2013, \$502,000 in Fiscal Year 2013, \$329,000 in Fiscal Year 2014, \$489,000 in Fiscal Year 2015, \$500,000 in Fiscal Year 2016, \$512,000 in Fiscal Year 2017, and \$524,000 in Fiscal Year 2018. The administrative costs would include costs for systems and forms changes and 1 customer service representative. Additionally, the administrative costs would include 5 auditors beginning in Fiscal Year 2014. The Department would receive revenues from the pump toll to cover the direct costs of administering the toll.

Department of Motor Vehicles

DMV would incur administrative expenses of \$329,000 in Fiscal Year 2013, \$497,000 in Fiscal Year 2014 and each Fiscal Year thereafter. The administrative costs in Fiscal Year

2013 would include start-up costs. Additionally, the administrative costs would include 5 full time employees for collections, processing and auditing beginning January 1, 2013. DMV would receive revenues from the pump toll to cover the direct costs of administering the toll.

Revenue Impact

This bill would impose a pump toll effective January 1, 2013 with the revenue allocated to the highway construction district in which the fuel was sold. The bill would have an unknown positive revenue impact on the special funds of highway construction districts. This bill would provide a total statewide estimated revenue gain of \$74.9 million in Fiscal Year 2013, \$183.5 million in Fiscal Year 2014, \$188.4 million in Fiscal Year 2015, \$193.9 million in Fiscal Year 2016, \$199.6 million in Fiscal Year 2017, and \$214.5 million in Fiscal Year 2018. The Department does not have enough data to determine the revenue increase from a pump toll on bulk fuel transactions. The revenue increase from a pump toll on clean fuel sold by a retail dealer and bulk clean fuel sold by a distributor is also unknown, but likely minimal.

9. Specific agency or political subdivisions affected:

Department of Taxation
Department of Motor Vehicles

10. Technical amendment necessary: No.

11. Other comments:

Generally

Currently the Department administers and collects the Motor Vehicle Fuel Sales Tax, which is imposed in the Northern Virginia Transportation District and the Potomac and Rappahannock Transportation District. However, the Commission on Government Reform and Restructuring has recommended that the administration of the Motor Vehicle Fuel Sales Tax be transferred to DMV beginning July 1, 2013 as there is a substantial amount of overlap between the entities responsible for remitting the Motor Vehicle Fuel Sales Tax and those responsible for paying the fuels taxes currently administered by DMV.

The Virginia Department of Transportation currently divides the Commonwealth into nine highway districts, each of which oversees maintenance and construction on the state-maintained highways, bridges and tunnels in its region: Bristol, Culpeper, Fredericksburg, Hampton Roads, Lynchburg, Northern Virginia, Richmond, Salem, and Staunton.

Proposal

This bill would impose a pump toll of \$0.50 on each sale by a retail dealer in the Commonwealth of conventional and clean fuel subject to the Virginia Fuels Tax. An additional \$0.50 pump toll is imposed on sales of 35 gallons or more. The bill would also impose the pump toll on bulk conventional fuel sold by distributors at a rate of \$1.00 for

each 12 gallons of gasoline sold and \$1.00 for each 60 gallons of diesel sold. The Department of Motor Vehicles ("DMV") would determine the rate of the pump toll for bulk clean fuel sold by distributors. The rate of the tolls would increase by 10 percent on January 1, 2018, and every five years thereafter. Fuel exempt from the Virginia Fuels Tax would also be exempt from the pump toll. Sales of fuel that qualify for a refund under the Virginia Fuels Tax would also qualify for a refund of the pump toll. Dealers would be allowed compensation of 1.2% for timely remittances of returns and payment due.

The pump toll is imposed in the nine highway construction districts into which the Commonwealth is divided. The revenues from the pump toll would be allocated back to the highway construction district in which the fuel was sold. The pump toll on the sale of conventional fuel by retail dealers and bulk conventional fuel sold by distributors would be repealed if an increase in the Virginia Fuels Tax on gasoline and gasohol, diesel, blended, and aviation jet fuel is imposed for road maintenance purposes.

The Department of Taxation would be responsible for administering and collecting the pump toll on conventional fuel sold by retail dealers. DMV would be responsible for administering and collecting the pump toll on clean fuel sold by retail dealers and on bulk fuel sold by distributors. The Department would be granted the same authority to establish recordkeeping requirements, conduct audits, and impose penalties and interest that is granted for the Retail Sales and Use Tax. DMV would be granted the same authority to establish recordkeeping requirements, conduct audits, and impose penalties and interest that is granted for the Virginia Fuels Tax. Each agency would be required to promulgate rules and regulations for registering dealers and filing returns.

This bill would also prohibit any tolls from being imposed on any existing component of the Interstate Highway System unless such tolls are for the purpose of constructing and maintaining a new highway or bridge or expanding the lane mile capacity of an existing highway or bridge.

The effective date of this proposal is January 1, 2013.

Similar Legislation

House Bill 23 would increase the amount of sales and use tax revenue dedicated to the Transportation Trust Fund from an amount generated by a 0.5 percent sales and use tax to an amount generated by a one percent sales and use tax. The increase would be phased in by a 0.1 percent increase over five years, with the first increase effective beginning July 1, 2012 and ending September 30, 2013.

House Bill 422 would impose a motor vehicle fuel sales tax at a rate of 1% of the sales price charged by distributors to retail dealers and reduce the sales and use tax rate on food for human consumption from 1.5% to 1%. The bill would also impose an additional 0.5 percent state retail sales and use tax and an increase in the grantor's tax by a rate of \$0.40 per \$100 of value in Northern Virginia with the revenues dedicated to the Northern Virginia Transportation Authority for transportation needs.

House Bill 723 would require a portion of the growth in state taxes attributable to economic activity generated or facilitated by the Dulles International Airport and the

Ronald Reagan National Airport appropriated to the Northern Virginia Transportation Authority. The bill would also require a portion of the growth in state taxes attributable to economic activity generated or facilitated by i) the ports of Hampton Roads, ii) the Inland Port at Front Royal, and iii) the Port of Richmond to be deposited into special transportation revenue funds.

cc : Secretary of Finance

Date: 1/28/2012 AM
DLAS File Name: HB802F161