

## Department of Planning and Budget

### 2013 Fiscal Impact Statement

**1. Bill Number:** HB1878

<b>House of Origin</b>	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
<b>Second House</b>	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

**2. Patron:** Morrissey

**3. Committee:** House Finance

**4. Title:** Establishing and adjusting transportation sources of revenue

- 5. Summary:** The proposed legislation amends and increases taxes to support transportation. The bill would apply a five percent sales tax on motor vehicle fuels, which would be applied at the wholesale level in addition to the state motor vehicle fuels tax of 17.5 cents per gallon. The additional revenue would be divided to several sources. The Highway Maintenance and Operating Fund (HMOF) would receive 60 percent, the Transportation Trust Fund (TTF) would receive 20 percent, the Intercity Passenger Rail Capital and Operating Fund (IPROCF) would receive 7 percent and local governments would receive 13 percent.

The proposed legislation also applies the sales tax to specified services. The affected services are armored car services, automobile repairs, automobile washing, courier services, employment services, marina services, taxi and limousine services, and travel services. The additional sales tax revenue would be distributed according to the existing formula in §58.1-638, Code of Virginia.

The bill amends the individual income tax rate structure, with the changes becoming effective on January 1, 2014. The bill increases the annual license tax paid on electric motor vehicles from \$50 to \$102 and applies the tax to hybrid electric motor vehicles. The bill contains a provision to grant refunds of the additional gas tax paid on fuel for hybrid electric vehicles. The bill also eliminates certain tax credits, beginning on January 1, 2013.

- 6. Budget Amendment Necessary:** Yes, an amendment to the revenues on page 1 as well as Item 139, Item 442, Item 446 and Item 447.

**7. Fiscal Impact Estimates:** Preliminary. Estimates from the Department of Taxation (in millions):

FUND	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
GF	\$53.5	(\$174.0)	(\$164.0)	(\$164.4)	(\$164.7)	(\$159.4)
HMOF	167.8	193.5	205.5	218.6	231.0	233.1
TTF	505.4	579.8	598.2	617.7	634.5	635.5
IPROCF	53.7	61.8	63.8	66.0	67.8	67.8
Local	190.4	215.3	220.8	226.9	232.3	234.5
Total	\$970.8	\$876.4	\$924.4	\$964.8	\$1,000.9	\$1,011.5

**8. Fiscal Implications:** The changes to the individual income tax would impact the general fund. A portion of the additional revenue from the application of the sales tax on the specified services would be deposited into the general fund to partially mitigate the impact. However, from the additional revenue, approximately \$100 million each year would be dedicated to public education to fund the state Standards of Quality. The additional sales tax revenue would also provide funding to the HMOF, in line with the Governor's introduced budget which directs 0.005 percent to maintenance activities in FY2014.

The additional motor vehicle fuels tax would provide additional transportation funding to the Department of Transportation, the Department of Rail and Public Transportation and cities and counties. Local governments may determine what transportation projects to apply the revenue to, but the use of the funding must be for a transportation purpose. The annual license tax on hybrid electric motor vehicles would be deposited in the HMOF.

The amount deposited to the HMOF would offset funding from the construction budget that is transferred to cover a shortfall in the maintenance program. The Virginia Department of Transportation must fully fund maintenance activities prior to the expenditure of funds for construction work.

**9. Specific Agency or Political Subdivisions Affected:** Department of Transportation, Department of Rail and Public Transportation, local governments

**10. Technical Amendment Necessary:** None.

**11. Other Comments:** Identical to HB2179 and SB717, with the exception that those bills contain a requirement pertaining to legislative approval of tolls on interstate facilities.

**Date:** 1/21/2013 dpb/smc

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