

Department of Planning and Budget

2014 Fiscal Impact Statement

1. Bill Number: HB3

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

2. Patron: Cline

3. Committee: House Finance

4. Title: Transportation funding; all provisions of 2013 Session omnibus bill to expire on July 1, 2014.

5. Summary: This bill would require that the provisions of House Bill 2313, 2013 General Assembly Session, expire effective July 1, 2014.

House Bill 2313, enacted by the 2013 General Assembly, increased the state portion of the Retail Sales and Use Tax from 4 percent to 4.3 percent effective July 1, 2013. The bill also established procedures for the collection of the sales and use tax from remote sellers for sales made in the Commonwealth, if federal legislation is enacted authorizing such collection. Additionally, House Bill 2313 committed an amount equal to the revenue generated by a 0.125 percent sales and use tax to the Public Education Standards of Quality/Local Real Estate Property Tax Relief Fund to be used for the state's share of Standards of Quality basic aid payments.

House Bill 2313 also committed discretionary General Fund revenue to the Highway Maintenance and Operating Fund ("HMOF") in an amount equal to 10 percent of the revenue generated by a 0.50 percent sales and use tax, such as that paid to the Transportation Trust Fund, for Fiscal Year 2014. The dedication would increase to an amount equal to 20 percent for Fiscal Year 2015, and 30 percent for Fiscal Year 2016. For Fiscal Year 2017 and each fiscal year thereafter, the revenue dedicated to the HMOF would be an amount equal to 35 percent of the revenue generated by a 0.50 percent sales and use tax.

House Bill 2313 also imposed an additional state sales and use tax at a rate of 0.7% in the counties and cities embraced by the Northern Virginia Transportation Authority and the Hampton Roads Region; a 2% Transient Occupancy Tax and a \$0.15 per \$100 grantor's tax in the counties and cities embraced by the Northern Virginia Transportation Authority; and a 2.1% Motor Vehicle Fuel Sales Tax in the counties and cities embraced by the Hampton Roads Region. The Northern Virginia Transportation Authority embraces the Counties of Arlington, Fairfax, Loudoun, and Prince William and the Cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park. The Hampton Roads Region embraces the Counties of Isle of Wight, James City, Southampton, and York and the Cities of Chesapeake, Franklin, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, and Williamsburg.

A 3.5% tax was imposed on gasoline based on the statewide average wholesale price of gasoline and a 6.1% tax was imposed on diesel based on the statewide average wholesale price of diesel beginning July 1, 2013 in place of the \$0.175 per gallon previously imposed on fuel.

The Motor Vehicle Sales and Use Tax rate was increased from 3% to 4% effective July 1, 2013, 4.1% effective July 1, 2014, 4.2% effective July 1, 2015, and 4.3% effective July 1, 2016. The amount of the annual license tax on electric motor vehicles was also increased from \$50 to \$64 and extended the annual license tax to hybrid electric motor vehicles and alternative fuel vehicles.

6. Budget Amendment Necessary: Yes. Page 1 revenue estimates and Items 136, 273, 275, 438, 439, 442, 443, 444, 445 and 447 and Section 3-5.09 Sales Tax Commitment to Highway Maintenance and Operating Fund.

7. Fiscal Impact Estimates: Preliminary. In addition to the revenue implications in Item 8, the Department of Taxation will incur the following costs associated with system and forms changes.

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2014	290,000		GF
2015	40,000		GF
2016	0		GF
2017	0		GF
2018	0		GF
2019	0		GF
2020	0		GF

8. Fiscal Implications: The following revenue impacts are associated with the legislation.

Commonwealth Transportation Fund

<u>Provision</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Motor Fuels Tax Mechanism	123.1	22.8	22.6	22.6	17.5	10.5
Registration Fee on Alt Fuel Vehs	(7.3)	(8.3)	(9.6)	(10.9)	(9.6)	(10.9)
Sales Tax Increase / Diversion	(379.2)	(407.1)	(423.1)	(439.9)	(457.3)	(475.6)
Motor Veh Sales Tax Increase	(214.9)	(249.0)	(263.5)	(263.6)	(262.4)	(262.3)
Total	(478.1)	(641.6)	(673.6)	(691.8)	(712.1)	(738.3)

**Highway Maintenance and Operating
Fund
Provision**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Motor Fuels Tax Mechanism	132.9	55.8	56.8	57.7	54.4	49.3
Registration Fee on Alt Fuel Vehs	(7.3)	(8.3)	(9.6)	(10.9)	(9.6)	(10.9)
Sales Tax Increase / Diversion	(256.2)	(279.9)	(290.9)	(302.4)	(314.4)	(327.0)
Motor Veh Sales Tax Increase	(214.9)	(249.0)	(263.5)	(263.6)	(262.4)	(262.3)
Total	(345.5)	(481.4)	(507.2)	(519.2)	(519.2)	(550.9)

Transportation Trust Fund	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Motor Fuels Tax Mechanism	(9.7)	(33.0)	(34.2)	(35.1)	(37.3)	(38.8)
Sales Tax Increase / Diversion	(123.0)	(127.2)	(132.2)	(137.5)	(142.9)	(148.6)
Total	(132.7)	(160.2)	(166.4)	(172.6)	(180.2)	(187.4)

Revenue Impact on General Fund Revenues

	Sales Tax Diversion to CTF	Sales Tax Diversion to Transfers	Gen Fund Revenue Impact	Gen Fund Transfers Impact
2015	98.4	116.3	214.7	(116.3)
2016	101.8	120.4	222.2	(120.4)
2017	105.8	125.1	230.9	(125.1)
2018	110.0	130.1	240.1	(130.1)
2019	114.3	135.3	249.6	(135.3)
2020	118.9	140.7	259.6	(140.7)

**Local Provisions
Hampton Roads**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
2.1 percent sales Tax on Motor Fuels	(49.9)	(56.2)	(58.7)	(61.4)	(64.5)	(67.2)
0.7 percent Retail Sales Tax	(112.9)	(127.5)	(132.4)	(137.7)	(143.2)	(149.0)

Total	(162.8)	(183.7)	(191.1)	(199.1)	(207.7)	(216.2)
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Northern Virginia

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
0.7 percent Retail						
Sales Tax	(216.5)	(244.4)	(253.9)	(262.6)	(271.5)	(280.7)
Grantors Tax	(37.7)	(37.7)	(37.7)	(37.7)	(37.7)	(37.7)
Transient Occupancy						
Tax	(24.9)	(28.2)	(29.3)	(30.4)	(31.6)	(32.8)
Total	(279.1)	(310.3)	(320.9)	(330.7)	(340.8)	(351.2)

Total Local Provisions

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
(441.9)	(494.1)	(512.0)	(529.8)	(548.5)	(567.4)

9. Specific Agency or Political Subdivisions Affected: Department of Taxation, Department of Transportation, the Department of Motor Vehicles and the Department of Rail and Public Transportation

The following cites; Chesapeake, Franklin, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, Williamsburg, Alexandria, Fairfax, Falls Church, Manassas and Manassas Park.

The following counties; Arlington, Fairfax, Loudoun, Prince William, Isle of Wight, James City, Southampton, and York.

10. Technical Amendment Necessary: No.

11. Other Comments: None.