

## Department of Planning and Budget 2014 Fiscal Impact Statement

**1. Bill Number:** HB68

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

**2. Patron:** Marshall, D.W.

**3. Committee:** Finance

**4. Title:** Transportation funding; date change on certain scheduled increases in sales and use tax revenue.

**5. Summary:** Changes the dates on which certain scheduled increases in sales and use tax revenue to the Highway Maintenance and Operating Fund (HMOF) would not take place if Congress does not enact a law permitting states to require certain out-of-state retailers to collect and remit state sales and use tax. Under current law, scheduled increases in sales and use tax revenue to the HMOF for fiscal years 2016 and 2017 would not occur if Congress does not enact such law by January 1, 2015. The bill would halt the increase for only fiscal year 2017 if Congress does not act by January 1, 2016.

**6. Budget Amendment Necessary:** Yes. Page 1 revenue estimates and Item 445 if Congress does not give the states authority to require out-of-state on line retailers to collect and remit state sales and use tax.

**7. Fiscal Impact Estimates:** Preliminary. See Item 8.

**8. Fiscal Implications:** Moving the deadline for Congress to grant states the authority to collect sales and use taxes from remote sellers to January 1, 2016, will allow the level of sales and use tax commitment to the HMOF to increase to the Fiscal Year 2016 rate (0.15 percent), instead of staying at the Fiscal Year 2015 rate (0.10 percent), if Congress does not grant such authority prior to January 1, 2016. Depending on whether Congress grants states the authority to collect sales taxes from remote sellers, and when the authority is granted, three scenarios could result from the passage of this bill:

1. Congress does not grant the authority, or the authority is not granted by January 1, 2016;
2. Congress grants the authority to tax remote sellers between January 1, 2015 and January 1, 2016; and
3. Congress grants authority to tax remote sellers prior to January 1, 2015.

Scenarios 1 and 2 would have an impact on the general fund, while scenario 3 would not.

The December 2013 Transportation Sales Tax Forecast used in developing the 2014-16 biennial budget assumes that Congress will not grant states the authority to collect sales and use taxes from remote sellers prior to the deadline and that the commitment to the HMOF will stay at 0.10 percent for Fiscal Years 2015 and thereafter. This bill would increase the commitment to the HMOF to 0.15 percent in Fiscal Year 2016 and staying at that rate for each fiscal year thereafter. The following chart (scenario 1) shows the estimated commitment of the general fund to the HMOF under the current forecast and legislative provisions of House Bill 2313 of the 2013 General Assembly session versus the proposed bill.

**Scenario 1 – Congress does not grant remote collection authority by January 1, 2016.**

**Revenue Impact:**

**(In Millions)**

| <i>Fiscal Year</i> | <i>2013 HB<br/>2313<br/>Committed<br/>Revenues</i> | <i>HB 68<br/>Committed<br/>Revenues</i> | <i>Dollars</i> | <i>Fund</i> |
|--------------------|--|---|----------------|-------------|
| 2014               | \$47.5   | \$47.8                                  | 0              | GF          |
| 2015               | \$98.4   | \$98.4                                  | 0              | GF          |
| 2016               | \$101.8  | \$152.7                                 | (\$50.9)       | GF          |
| 2017               | \$105.8  | \$158.6                                 | (\$52.9)       | GF          |
| 2018               | \$110.0  | \$164.9                                 | (\$55.0)       | GF          |
| 2019               | \$114.3  | \$171.5                                 | (\$57.2)       | GF          |
| 2020               | \$118.9  | \$178.4                                 | (\$59.5)       | GF          |

Under this scenario, the general fund revenue transferred to the HMOF in fiscal year 2016 would increase by \$50.9 million over the amount that is presently budgeted (roughly equal to the unappropriated balance).

**Scenario 2 - Congress grants remote collection authority between January 1, 2015 and January 1, 2016.**

**Revenue Impact:**

**(In Millions)**

| <i>Fiscal Year</i> | <i>2013 HB<br/>2313<br/>Committed<br/>Revenues</i> | <i>HB 68<br/>Committed<br/>Revenues</i> | <i>Dollars</i> | <i>Fund</i> |
|--------------------|--|---|----------------|-------------|
| 2014               | \$47.5   | \$47.5                                  | \$0            | GF          |
| 2015               | \$98.4   | \$98.54                                 | \$0            | GF          |
| 2016               | \$101.8  | \$152.7                                 | (\$50.9)       | GF          |
| 2017               | \$105.8  | \$185.1                                 | (\$79.3)       | GF          |
| 2018               | \$110.0  | \$192.4                                 | (\$82.4)       | GF          |
| 2019               | \$114.3  | \$200.1                                 | (\$85.8)       | GF          |
| 2020               | \$118.9  | \$208.1                                 | (\$89.2)       | GF          |

Under this scenario, the commitment to increase revenue to the HMOF would fully phase in under House Bill 68 on the timelines assumed in House Bill 2313 and at the 0.10 percent rate assumed in House Bill 2313. However, additional sales and use tax revenues would be generated for the general fund, as well as for the HMOF, which may reduce the negative impact of the bill.

**9. Specific Agency or Political Subdivisions Affected:** Department of Taxation, Virginia  
Department of Transportation – Highway Maintenance and Operating Fund

**10. Technical Amendment Necessary:** No.

**11. Other Comments:** None.

C: Secretary of Transportation  
1/16/2014  
G:\2014\Session Legislation\HB68.docx