

Department of Planning and Budget

2016 Fiscal Impact Statement

1. Bill Number: HB23

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

2. Patron: Farrell

3. Committee: Finance

4. Title: Fuels tax; refunds of taxes to certain nonprofit entities

5. Summary: This bill would provide a refund of the Virginia Fuels Tax paid on fuel used by an entity that is exempt from federal income taxation under § 501(c)(3) of the Internal Revenue Code and organized with a principal purpose of providing hunger relief services or food to the needy. The bill also would provide that such fuel would not be subject to the Retail Sales and Use Tax.

Under current law, fuel used in highway vehicles for an organization providing hunger relief services is subject to the Virginia Fuels Tax and exempt from the Retail Sales and Use Tax. The effective date of this bill is not specified.

6. Budget Amendment Necessary: No.

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

8. Fiscal Implications: This bill would provide a refund of the Virginia Fuels Tax paid on fuel used in operating or propelling highway vehicles owned by an entity that is exempt from federal income taxation under § 501(c)(3) of the Internal Revenue Code and organized with a principal purpose of providing hunger relief services or food to the needy, provided the vehicles are used solely for the purpose of providing hunger relief services or food to the needy. The bill also would provide that such fuel would not be subject to the Retail Sales and Use Tax.

According to the Department of Taxation, given the lack of available data, the revenue loss due to this bill is unknown. However, based on the revenue impact of similar Virginia Fuels Tax refund programs, the Virginia Fuels Tax revenue loss is expected to be minimal. This bill would have no effect on Retail Sales and Use Tax revenues, as fuel used in highway vehicles for an organization providing hunger relief services is currently subject to the Virginia Fuels Tax and, as such, is exempt from the Retail Sales and Use Tax.

The Department of Taxation considers the administrative implementation of this bill as routine and does not require additional funding.

9. Specific Agency or Political Subdivisions Affected: Department of Taxation, Department of Motor Vehicles.

10. Technical Amendment Necessary: No.

11. Other Comments: Under current law, the Virginia Fuels Tax is administered by the Department of Motor Vehicles (DMV) and imposed at a rate determined by the DMV Commissioner. Gasoline and gasohol are subject to the Virginia Fuels Tax at the rate of 5.1 percent of the statewide average wholesale price of a gallon of unleaded regular gasoline. Diesel is subject to the Virginia Fuels Tax at the rate of six percent of the statewide average wholesale price of a gallon of unleaded regular gasoline. The statewide average wholesale price is determined by DMV every six months, but may not go below the statewide average wholesale price of a gallon of unleaded regular gasoline on February 20, 2013. The current effective tax rate for gasoline and gasohol is \$0.162 per gallon and the rate for diesel is \$0.202 per gallon.

Under current law, fuels subject to the Virginia Fuels Tax Act are exempt from the Virginia Retail Sales and Use Tax.

Date: 2/4/16

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c: Secretary of Transportation