

DEPARTMENT OF TAXATION

2020 Fiscal Impact Statement

1. **Patron** Richard H. Stuart

2. **Bill Number** SB 332

3. **Committee** Senate Finance and Appropriations

House of Origin:

X **Introduced**

 Substitute

 Engrossed

4. **Title** Allocation of Remote Sales Tax Collections;
Transportation Trust Fund

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would divert all of the sales and use tax remitted by remote sellers pursuant to Chapters 815 and 816 of the 2019 *Acts of Assembly* to the Transportation Trust Fund to be used solely for maintenance and repair of existing highways.

Under current law, state sales and use tax remitted by remote sellers is distributed in the same manner as all other sales and use tax revenue.

If enacted during the 2020 Regular Session of the General Assembly, this bill would become effective July 1, 2020.

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

Page 1: Revenue Estimates

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

8. **Fiscal implications:**

Administrative Costs

The Department of Taxation ("the Department") considers implementation of this bill to be routine and does not require additional funding.

Revenue Impact

This bill would divert Retail Sales and Use Tax revenues of \$274.8 million in Fiscal Years 2021 through 2023 and \$279.1 million in Fiscal Years 2024 through Fiscal Year 2026 to the Transportation Trust Fund. The offsetting impact would be to reduce General Fund revenues by an estimated \$196.5 million in Fiscal Years 2021 through 2023 and \$199.6 million in Fiscal Years 2024 through 2026; divert regional sales tax revenues of \$21.8 million in Fiscal Years 2021 through 2023 and \$22.2 million in Fiscal Years 2024 through 2026; and reduce local revenues by an estimated \$56.5 million in Fiscal Years 2021 through 2023 and \$57.4 million in Fiscal Years 2024 through 2026. See the table below.

SB 332: Net Revenue Impact**Distribution by Fund**

(all figures in millions of dollars)

<u>Fund</u>	<u>FY 2020*</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>
State Sales and Use Tax (5.3%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
GF - Unrestricted	0.0	(113.8)	(113.8)	(113.8)	(115.6)	(115.6)	(115.6)
GF - Restricted	0.0	(55.9)	(55.9)	(55.9)	(56.8)	(56.8)	(56.8)
Education School Age 1/8%	0.0	(7.1)	(7.1)	(7.1)	(7.2)	(7.2)	(7.2)
Education SOQ- 1/4%	0.0	(14.1)	(14.1)	(14.1)	(14.3)	(14.3)	(14.3)
Transportation	0.0	274.8	274.8	274.8	279.1	279.1	279.1
Local Option	0.0	(56.5)	(56.5)	(56.5)	(57.4)	(57.4)	(57.4)
HMOF (GF transfer)	0.0	(5.6)	(5.6)	(5.6)	(5.7)	(5.7)	(5.7)
Regional							
Hampton Roads (0.7%)	0.0	(6.3)	(6.3)	(6.3)	(6.4)	(6.4)	(6.4)
Northern Virginia (0.7%)	0.0	(13.5)	(13.5)	(13.5)	(13.7)	(13.7)	(13.7)
Historic Triangle (1.7%)	0.0	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)
Total Sales and Use Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0

9. Specific agency or political subdivisions affected:

Department of Taxation
All Localities

10. Technical amendment necessary: No.**11. Other comments:**

Chapters 815 and 816 of the *Acts of Assembly of 2019* required remote sellers and marketplace facilitators that conducted sales to Virginia customers that resulted in more than \$100,000 in annual gross revenue or that numbered at least 200 transactions to collect sales tax on their sales to Virginia customers. The legislation also added administrative simplification measures designed to facilitate compliance for out-of-state dealers. The legislation did not alter how the sales and use tax revenue collected by remote sellers or marketplace facilitators was to be distributed.

Currently, the 4.3% state sales and use tax is distributed as follows: 1) an amount equal to a 2.025% sales tax is distributed to the General Fund without restriction, 2) an amount equal to a 1.375% sales tax is distributed for local education, and 3) an amount equal to a 0.9% sales tax is distributed to transportation purposes. The 1% local option tax levied by every locality is returned to the locality where it was collected. The regional taxes in the Northern Virginia and Hampton Roads regions are returned to those regions to be used for transportation. Similarly, the additional 1% sales and use tax in the Historic Triangle region is returned to that region with one-half percent to be used for tourism and marketing for the region, and one-half percent is returned to the locality that collected the tax.

Proposal

This bill would divert all of the sales and use tax remitted by remote sellers pursuant to Chapters 815 and 816 of the 2019 *Acts of Assembly* to the Transportation Trust Fund to be used solely for maintenance and repair of existing highways.

If enacted during the 2020 Regular Session of the General Assembly, this bill would become effective July 1, 2020.

Similar Legislation

Senate Bill 890 would make numerous structural changes to the transportation funding system in the Commonwealth including the gas tax. In the Northern Virginia region, the bill would add a regional congestion fee and make changes to the existing regional transportation improvement fee and regional transient occupancy tax.

House Bill 729 would make numerous changes to transportation funding system in the Commonwealth. The bill would change the regional WMATA capital fee that is levied as part of the Regional Transportation Improvement Fee to the regional and local transportation fee, to be assessed in certain eligible planning districts. The bill would also increase the Transportation District Transient Occupancy Tax assessed in the Northern Virginia region from two to three percent.

House Bill 1541 would create the Central Virginia Transportation Authority ("CVTA"), comprised of the localities within Planning District 15. The bill would provide that the CVTA would administer transportation funding in the region generated through an additional 0.7 percent sales tax and a 2.1 percent tax on wholesale gasoline levied within Planning District 15. The revenue generated by both additional taxes would be deposited into the Central Virginia Transportation Fund.

House Bill 1726 would raise additional revenues for the Hampton Roads Transportation Fund by levying a regional Grantors Tax, a regional Transient Occupancy Tax, and a tax on ride-sharing originating or terminating in a locality in Planning District 23. The bill would also raise the existing regional gas tax to 3.1 percent per gallon of gasoline or diesel fuel and indexes the tax rate annually beginning July 1, 2021.

cc : Secretary of Finance

Date: 1/23/2020 VB
SB332F161