

## Department of Planning and Budget 2020 Fiscal Impact Statement

1. **Bill Number:** SB452

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

2. **Patron:** Edwards

3. **Committee:** Appropriations

4. **Title:** Motor vehicle fuels sales tax in certain counties and cities.

5. **Summary:** Imposes a regional motor vehicle fuels sales tax at a rate of 7.6 cents per gallon and gasoline and 7.7 cents per gallon of diesel fuel in any county or city outside of the Northern Virginia or Hampton Roads regions or the Interstate 81 Corridor, where such a tax is already imposed. The new revenues will be returned to the transportation district in which the revenues are generated via the construction district grant program. The bill also converts the existing regional motor vehicle fuels sales in Northern Virginia, Hampton Roads, and the Interstate 81 Corridor from a tax on a percentage of the distributor price of a gallon of gasoline to this same cents per gallon rate. The rate will be indexed each year beginning July 1, 2021. The Bill's third enactment clause states that the additional transportation revenue provisions included in this bill would expire on December 31 of any year in which the General Assembly appropriates or transfers any of the additional revenue for non-transportation-related purposes.

6. **Budget Amendment Necessary:** Yes. Item 402 to appropriate a \$50,000 general fund appropriation for potential periods of imprisonment in state adult correctional facilities. Item 447 to appropriate the revenue for the Construction District Grant Program.

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

**7a. Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2020	-	-
2021	\$50,000	General Fund

**7b. Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2020	-	-
2021	\$90,100,000	Transportation Trust Fund
2022	\$97,500,000	Transportation Trust Fund
2023	\$97,000,000	Transportation Trust Fund
2024	\$96,400,000	Transportation Trust Fund
2025	\$96,100,000	Transportation Trust Fund
2026	\$96,200,000	Transportation Trust Fund

- 8. Fiscal Implications:** This legislation would establish a regional motor vehicle fuels sales tax in any county or city outside of the Northern Virginia or Hampton Roads regions or the Interstate 81 (I-81) Corridor, where an additional regional fuels tax already exists. The bill proposes a tax rate of 7.6 cents per gallon of gasoline sold and 7.7 cents per gallon of diesel fuel sold. The rate would be indexed to inflation starting in FY 2022. The bill proposes that revenues from the new regional taxes be returned to the transportation district in which the revenues are generated via the construction district grant program.

The table below summarizes the total estimated revenues statewide in localities where there is not an existing regional motor vehicle fuels tax, based on information from the Department of Taxation.

<b>Fiscal Year</b>	<b>Estimated Motor Fuels Tax Revenue</b>
2021*	\$90,100,000
2022	\$97,500,000
2023	\$97,000,000
2024	\$96,400,000
2025	\$96,100,000
2026	\$96,200,000

\*FY 2021 amount is an 11 month estimate.

There is currently a 2.1 percent regional wholesale gas tax imposed in the Northern Virginia and Hampton Roads regions and in localities along the I-81 corridor. This bill would convert those tax rates from a percentage of wholesale price to a per gallon rate of 7.6 cents per gallon of gasoline sold and 7.7 cents per gallon of diesel fuel sold. The rate would be indexed to inflation starting in FY 2022. The per gallon rates proposed by the bill are equivalent to the percentage rates currently imposed in those regions; as a result, this is not expected to have a fiscal impact on revenue collections in the Northern Virginia and Hampton Roads regions and the I-81 corridor.

Currently, under § 58.1-2299.10, Code of Virginia, any person who willfully evades or circumvents fuels sales tax requirements, or assists another to evade or circumvent such taxes, is guilty of a Class 6 felony.

For someone convicted of a Class 6 felony, a judge has the option of sentencing the individual to up to 12 months in jail, or one to five years in prison. Therefore, this proposal could result in an increase in the number of persons sentenced to jail or prison.

There is not enough information available to reliably estimate the increase in jail population as a result of this proposal. Any increase in jail population will increase costs to the state. The Commonwealth currently pays the localities \$4.00 a day for each misdemeanor or otherwise local-responsible prisoner held in a jail and \$12.00 a day for each state-responsible prisoner. It also funds a considerable portion of the jails' operating costs, e.g. correctional officers. The state's share of these costs on a per prisoner, per day basis varies from locality

to locality; however, according to the Compensation Board's most recent Jail Cost Report (November 2019), the estimated total state support for local jails averaged \$34.07 per inmate, per day in FY 2018.

Due to the lack of data, the Virginia Criminal Sentencing Commission has concluded, pursuant to §30-19.1:4 of the Code of Virginia, that the impact of the proposed legislation on state-responsible (prison) bed space cannot be determined. In such cases, Chapter 854, 2019 Acts of Assembly, requires that a minimum impact of \$50,000 be assigned to the bill.

**9. Specific Agency or Political Subdivisions Affected:** Virginia Department of Transportation, Department of Motor Vehicles, localities, law enforcement agencies, local and regional jails, Department of Corrections.

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

**11. Other Comments:** The substitute to HB1541, as passed by the House of Delegates, proposes the creation of the Central Virginia Transportation Authority and would impose a 2.1 percent wholesale gas tax in localities in the Richmond region (Planning District 15). It appears that, without additional clarification, the enactment of both bills as currently drafted could result in two additional fuels taxes in localities in the Richmond region: a 7.6 cents per gallon of gasoline and 7.7 cents per gallon of diesel fuel tax (proposed by SB452); and, a 2.1 percent tax on wholesale gas tax (proposed by HB1541).