

**DEPARTMENT OF TAXATION
2004 Fiscal Impact Statement**

REVISED

1. Patron Vivian E. Watts

3. Committee House Finance

4. Title Motor Fuels Tax

2. Bill Number HB 5005

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would increase the tax on gasoline, diesel fuel, and alternative fuel by two and one-half cents per gallon.

This bill does not specify an effective date.

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

6b. Revenue Impact:

<u>Fiscal Year</u>	<u>Dollars</u>	<u>Fund</u>
2003-04	\$0	NGF
2004-05	\$116.3 million*	NGF
2005-06	\$131.0 million	NGF
2006-07	\$135.0 million	NGF
2007-08	\$138.3 million	NGF
2008-09	\$141.0 million	NGF
2009-10	\$143.8 million	NGF

*Assumes effective date of August 1, 2004.

7. Budget amendment necessary: Yes.

Item(s): Page 1, Revenue Estimates

8. Fiscal implications:

Administrative Impact

The Department of Motor Vehicles would incur minimal administrative costs to implement this bill.

Revenue Impact

This bill would have no impact on state General Fund revenue, but would increase the Commonwealth Transportation Fund revenue by \$116.3 million in Fiscal Year 2005, \$131.0 million in Fiscal Year 2006, \$135.0 million in Fiscal Year 2007, \$138.3 million in Fiscal Year 2008, \$141.0 million in Fiscal Year 2009, and \$143.8 million in Fiscal Year 2010.

This impact statement has been revised to reflect the change in the effective date of the provisions of this bill that would be effective in due course. Article IV, § 13 of the Constitution of Virginia states that all laws enacted during a special session other than the Appropriations Act and emergency legislation will take effect on the first day of the fourth month following the month of adjournment of the special session. As the month of March has expired and the special session has not adjourned, **all laws enacted during a special session effective in due course will become effective on August 1, 2004, assuming the special session adjourns before the end of April.** This impact statement has been revised to reflect an August 1, 2004, effective date for the provisions of this bill.

Revenue Impact – July Effective Date

If the motor fuels tax increase proposed by this bill is effective on July 1, 2004, this bill would result in an increase in Commonwealth Transportation Fund revenue by \$126.9 million in Fiscal Year 2005, \$131.0 million in Fiscal Year 2006, \$135.0 million in Fiscal Year 2007, \$138.3 million in Fiscal Year 2008, \$141.0 million in Fiscal Year 2009, and \$143.8 million in Fiscal Year 2010.

9. Specific agency or political subdivisions affected:

Department of Motor Vehicles
Department of Transportation

10. Technical amendment necessary: Yes.

Currently, the road tax includes a credit for fuel tax paid based on the current rate of sixteen cents per gallon. In order for the road tax credit to equal the fuel tax paid with the increase proposed by this bill, a substitute would be necessary to amend § 58.1-2706.

11. Other comments:

Current Law

A state tax is imposed on motor fuels at the following rates: 17½ cents per gallon on gasoline and gasohol and 16 cents per gallon on diesel fuel and liquid alternative fuel.

Proposed Change

The tax on gasoline and gasohol would be increased to 20 cents per gallon, and the tax on diesel fuel and liquid alternative fuel would be increased to 18½ cents per gallon effective August 1, 2004.

Motor carriers pay a road tax equivalent to 19½ cents per gallon with a credit of 16 cents per gallon for fuel purchased in Virginia, which is equal to the tax paid on fuel purchased in Virginia. This bill would increase the tax paid on diesel fuel, but not the credit against the road tax for fuel tax paid on diesel fuel purchased in Virginia. If it is desired to coordinate the road tax with the fuel tax as amended by this bill, a substitute would be required to amend § 58.1-2706.

cc : Secretary of Finance
Date: 4/5/2004