

DEPARTMENT OF TAXATION

2004 Fiscal Impact Statement

1. **Patron** Mark D. Sickles

3. **Committee** House Finance

4. **Title** Motor Fuels Tax

2. **Bill Number** HB 5007

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would increase the motor fuels tax by seven cents per gallon.

This bill would be effective the earlier of July 1, 2006, or 30 days after the Tax Commissioner determines that the statewide monthly average retail price per gallon of self-serve unleaded regular gasoline has decreased by at least five cents per gallon from the date of the passage of the bill. However, the provisions of the bill would expire if a constitutional amendment restricting the use of funds in the Transportation Trust Fund is not adopted by the General Assembly and approved by a referendum on November 7, 2006.

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

7. Budget amendment necessary: No.

8. Fiscal implications:

Administrative Cost

There would be no administrative costs for the Department of Taxation. The Department of Motor Vehicles would incur minimal administrative costs to implement the provisions of this bill.

Revenue Impact

The revenue impact of this bill is unknown because the effective date of the tax increase cannot be determined. It may take effect (i) on July 1, 2006, (ii) as early as July 1, 2004, if the price of regular gasoline drops five cents per gallon between passage of this bill and May 31, 2004, or (iii) never if the 2005 and 2006 Sessions of the General Assembly fail to enact a constitutional amendment restricting the use of funds in the Transportation Trust Fund. If the tax increase does become effective, it could expire if the constitutional amendment is not adopted by referendum on November 7, 2006.

Assuming that the tax increase becomes effective July 1, 2006, and does not expire, revenue deposited to the Transportation Trust Fund would be increased by \$375.9 million in Fiscal Year 2007, \$385.1 million in Fiscal Year 2008, \$392.8 million in Fiscal Year 2009, and \$400.6 million in Fiscal Year 2010.

9. Specific agency or political subdivisions affected:

Department of Motor Vehicles
Department of Transportation
Department of Taxation

10. Technical amendment necessary: No.

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. 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.

Proposed Change

The motor fuels tax would be increased by 7 cents per gallon, resulting in a tax rate of 24½ cents per gallon for gasoline and gasohol, and 23 cents per gallon for diesel fuel and liquid alternative fuel. The credit against the road tax would be increased to 23 cents per gallon to correspond to the proposed tax rate on diesel fuel. Under existing law, revenue from the motor fuels tax is deposited to the Transportation Trust Fund.

Although the proposed tax increase would be effective July 1, 2006, several contingencies affect the effective date. The increase may never become effective if either the 2005 or 2006 Sessions of the General Assembly fail to enact a constitutional amendment restricting use of the funds in the Transportation Trust Fund to transportation purposes only. The increase could become effective as early as July 1, 2004, if the price of regular gasoline drops at least five cents per gallon between passage of this bill and May 31, 2004. If the tax increase becomes effective, it would expire if the constitutional amendment is not adopted by the General Assembly or if the amendment is rejected by voters at a November 7, 2006, referendum.

cc : Secretary of Finance

Date: 3/29/2004