

Department of Planning and Budget 2007 Fiscal Impact Statement

1. Bill Number HB2071

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

2. Patron Brink

3. Committee House Finance

4. Title Motor vehicle sales and use tax; increase for transportation purposes.

5. Summary/Purpose: The proposed legislation would increase the motor vehicle sales and use tax from three percent to five percent and dedicate the revenue generated for various transportation purposes. The authority to impose the additional tax ceases on December 31 of any year in which any of the additional revenue is not used for transportation purposes. The bill also requires the Department of Transportation to report in each odd year on the condition and needs for maintaining and operating the existing transportation infrastructure for all asset management and maintenance based on an asset management methodology.

6. Fiscal Impact Estimates are: Preliminary.

6b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2007-08*	\$360,700,000	0	Nongeneral
2008-09	\$405,500,000	0	Nongeneral
2009-10	\$417,600,000	0	Nongeneral
2010-11	\$424,300,000	0	Nongeneral
2011-12	\$432,300,000	0	Nongeneral
2012-13	\$433,000,000	0	Nongeneral

*For FY 2008, the revenue would only be collected for 11 months, due to the one month delay in motor vehicle dealers reporting sales tax collections to DMV.

7. Budget amendment necessary: Yes. Item 437, Item 444, Item 446, Item 438 and Item 443.

8. Fiscal implications: The proposed legislation would raise the sales tax on motor vehicles from three percent to five percent, bringing the sales tax on motor vehicles in line with that charged on other non-food purchases. One half of the additional revenue would be deposited into the Highway Maintenance and Operating Fund to fund maintenance projects on Virginia's roadway system, thereby returning state construction dollars to new improvements on the primary, secondary, and urban systems.

The remaining half would be distributed to four programs in priority order:

- Transit Capital Assistance Fund to bring the local reimbursement rate to the 95 percent as authorized by the Code of Virginia
- Revenue-sharing program to fund the program at the level set in the Code of Virginia
- Rail Enhancement Fund
- Transportation Partnership Opportunity Fund

For a used car purchased in 2008, the additional tax, on average, would be \$138. The additional tax would average \$526 on new car purchases in 2008.

Virginia's current motor vehicle sales and use tax rate, at 3.0 percent, is ranked 44th in the nation. If raised to 5.0 percent, the tax rate would rise to 32nd. Maryland, West Virginia, Tennessee and the District of Columbia all have a motor vehicle sales and use tax of at least 5.0 percent. The sales and use tax on motor vehicles in North Carolina is 3.0 percent, although the state has a higher gas tax than Virginia (27 cents per gallon).

The proposed legislation contains an enactment clause stating the revenue may only be used for transportation purposes. If the funds are appropriated by the General Assembly for any purpose other than transportation, the provisions of the bill would expire on December 31 of that year.

9. Specific agency or political subdivisions affected: Commonwealth Transportation Board, Department of Transportation, Department of Rail and Public Transportation, Department of Taxation, all local governments

10. Technical amendment necessary: None.

11. Other comments: None.

Date: 01/10/07 / smc

Document: F:\SMC\GA\FIS 2007\HB2071.Doc

cc: Secretary of Finance

Secretary of Transportation