

Department of Planning and Budget 2007 Fiscal Impact Statement

1. **Bill Number** HB2464

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed

Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. **Patron** Marshall, D.W.

3. **Committee** House Finance

4. **Title** Motor fuels tax and road tax; rates and refunds.

5. **Summary/Purpose:** The proposed legislation would increase the motor fuels tax rate by \$0.05 per gallon from \$0.175 to \$0.225 for gasoline and from \$0.16 to \$0.21 for diesel, effective January 1, 2008, and ending February 1, 2009. Effective February 1, 2009, the rates would increase an additional \$0.05 to \$0.275 and \$0.26, respectively, if a constitutional amendment making the Transportation Trust Fund a permanent fund is approved by the voters during the 2008 general election. The road tax is maintained at the current additional three cents per gallon. It also provides a \$50 refund in 2008 through 2010 to households in which the total income is \$25,000 or less annually.

6. **Fiscal Impact Estimates are:** Preliminary. See Item 8.

<i>General Fund</i>	
<i>Fiscal Year</i>	<i>Amount</i>
FY 2008	\$0
FY 2009	(\$31,300,000)
FY 2010	(\$31,300,000)
FY 2011	(\$31,300,000)
FY 2012	\$0
FY 2013	\$0

<i>Nongeneral Fund</i>	
<i>Fiscal Year</i>	<i>Amount</i>
FY 2008	\$106,600,000
FY 2009	\$351,400,000
FY 2010	\$544,400,000
FY 2011	\$559,400,000
FY 2012	\$571,500,000
FY 2013	\$571,500,000

7. **Budget amendment necessary:** Yes. Item 437, Item 443, Item 453, and Item 428 if the new revenue is deposited into the Transportation Trust Fund. Item 444 if the funds are deposited into the Highway Maintenance and Operating Fund.

- 8. Fiscal implications:** The proposed legislation would increase the sales tax on gasoline and diesel fuel to \$0.223 per gallon, effective January 1, 2008 until February 1, 2009. Starting on February 1, 2009, the sales tax rate would increase to \$0.275 per gallon. The motor carrier road tax would be raised to three cents above the current rate on the motor vehicle fuels tax.

A refund of \$50 would be paid to citizens of Virginia who can establish with the tax commissioner that their household income is no more than \$25,000 per year. The refund period would begin on January 1, 2008 and end January 1, 2010. It appears the refunds are to be paid out of the general fund. The Department of Taxation estimates the refunds will reduce general fund revenues by \$31.1 million each year they are available.

The proposed legislation would enact the first increase on the motor vehicle fuels tax on January 1, 2008. The second increase would become effective February 1, 2009 if a constitutional amendment is passed by voters in the 2008 November general election making the Transportation Trust Fund a permanent constitutional fund.

It is not clear into what fund any additional revenue would be deposited. Taxes on motor vehicle fuels are divided between the Highway Maintenance and Operating Fund and the Transportation Trust Fund. The last time the gas tax rates were raised, in legislation passed by the 1986 special session of the General Assembly, the additional revenue was directed to the Transportation Trust Fund. Revenues generated by gas taxes in existence prior to the 1986 special session are deposited into the Highway Maintenance and Operating Fund. As the bill does not contain language directing the revenue to a specific fund, it is not clear if the intent of this legislation is to place the additional revenue in the Highway Maintenance and Operating Fund or the Transportation Trust Fund.

- 9. Specific agency or political subdivisions affected:** Department of Taxation, Department of Transportation, Commonwealth Transportation Board

- 10. Technical amendment necessary:** Consider adding language clarifying which transportation fund should receive the new revenues.

- 11. Other comments:** Similar to HB 2190 and HB 2997.

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cc: Secretary of Finance

Secretary of Transportation