

Department of Planning and Budget 2007 Fiscal Impact Statement

1. Bill Number HB2997

House of Origin	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron Scott, J.M.

3. Committee House Finance

4. Title Motor fuels tax.

5. Summary/Purpose: The proposed legislation would modify the rates of taxation on motor fuels to be the greater of (i) the current specific cents-per-gallon rates or (ii) percentage rates, 7.3% for gasoline and gasohol, and 6.5% for diesel. The percentage rates would be applied against the average price per gallon of the fuel, less federal and state taxes, as determined by the Commissioner of the Division of Motor Vehicles over rolling six-month periods.

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

7. Budget amendment necessary: Yes. Item 443.

8. Fiscal implications: The proposed legislation would change the tax rate on gasoline to either be the current amount of \$0.175 per gallon or 7.3 percent of the statewide average retail price. The tax rate on diesel fuel would be modified similarly, to either the current rate of \$0.16 per gallon or 6.5 percent the average statewide retail price. The proposed legislation would modify the motor carrier road tax to be \$0.035 greater than the tax charged on diesel fuel.

According to the Department of Taxation, the estimates for the future average price of a gallon of gasoline and diesel fuel do not exceed the price required to activate the rate of 7.3 percent. Therefore, the tax rate will likely continue at the current rate of \$0.175 per gallon on gasoline and \$0.16 per gallon on diesel fuel.

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 2464.

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cc: Secretary of Finance

Secretary of Transportation