

**DEPARTMENT OF TAXATION
2008 Fiscal Impact Statement**

1. Patron Ken T. Cuccinelli, II

2. Bill Number SB 724

3. Committee Senate Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. Title Hampton Roads and Northern Virginia
Transportation Authorities; Repeals Authority
to Impose Fees or Taxes.

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would repeal the authority of the Hampton Roads Transportation Authority and the Northern Virginia Transportation Authority ("Authority") to impose fees and taxes, and provide that each local governing body embraced by the Authorities may impose the taxes and fees previously authorized by the respective Authority, with the revenues transferred to the respective Authority.

The effective date of this bill is not specified.

6. Fiscal Impact Estimates are: Not available. (See Line 8.)

7. Budget amendment necessary: No.

8. Fiscal implications:

Administrative Costs Impact

TAX has not assigned any administrative costs to this bill because the changes required by a single bill such as this can be implemented as part of the annual changes to our systems and forms. As stand-alone legislation, TAX considers implementation of this bill as "routine," and does not require additional funding.

TAX will provide specific administrative costs on any legislation that is not "routine." Additionally, TAX will review all state tax legislation likely to be enacted prior to the passage by each house. If the aggregate number of routine bills likely to pass either house is unusually large, it is possible that additional resources will be required. If so, TAX will identify the costs at that time.

Revenue Impact

This bill would require that the cities or counties embraced by an Authority would have to vote to impose the taxes and fees that the Authorities currently have the authority to impose. To the extent that some or all of the localities would not vote to impose the taxes and fees, this bill could result in an unknown revenue loss to the Authorities.

9. Specific agency or political subdivisions affected:

Department of Taxation
Hampton Roads Transportation Authority
Northern Virginia Transportation Authority
Cities of Alexandria, Chesapeake, Hampton, Fairfax, Falls Church, Manassas, Manassas Park, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, and Williamsburg
Counties of Arlington, Fairfax, Isle of Wright, James City, Loudoun, Prince William, and York

10. Technical amendment necessary: No.

11. Other comments:

Background

House Bill 3202 (*Acts of Assembly* 2007, Chapter 896) authorized the Hampton Roads Transportation Authority and the Northern Virginia Transportation Authority ("an Authority") to impose in their member localities a sales and use tax at the rate of 5 percent on (i) charges for separately stated labor or services in the repair of motor vehicles and (ii) charges for the repair of a motor vehicle in cases in which the true object of the repair is a service provided within an Authority. TAX administers the Motor Vehicle Repair Labor and Services Sales and Use Tax and remits the revenues collected monthly to the respective Authority minus the direct costs of administration.

House Bill 3202 also authorized the Hampton Roads Transportation Authority to impose a 2% sales tax on motor vehicle fuels sold at retail in its member localities. The Northern Virginia Transportation District and the Potomac-Rappahannock Transportation District currently impose a 2% sales tax on motor vehicle fuels sold at retail in the two transportation districts. TAX administers the motor vehicle fuels taxes and remits all revenues from these taxes to the transportation districts and the Hampton Roads Transportation Authority.

The Hampton Roads Transportation Authority embraces the Cities of Chesapeake, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, and Williamsburg and the Counties of Isle of Wright, James City, and York. The Hampton Roads Transportation Authority has voted to impose the taxes and fees authorized by House Bill 3202 effective April 1, 2008.

The Northern Virginia Transportation Authority embraces the Cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park and the Counties of Arlington, Fairfax,

Loudoun, and Prince William. The Northern Virginia Transportation Authority began imposing the taxes and fees authorized by House Bill 3202 on January 1, 2008.

Proposal

This bill would repeal the authority of the Hampton Roads Transportation Authority and the Northern Virginia Transportation Authority ("Authority") to impose fees and taxes, and provide that each local governing body embraced by the Authorities may impose the taxes and fees previously authorized by the respective Authority, with the revenues transferred to the respective Authority.

Similar Legislation

House Bill 829, House Bill 1444, and Senate Bill 676 would abolish the Hampton Roads Transportation Authority and eliminate the taxes, fees, and charges that it was authorized to impose.

House Bill 828 would remove the Cities of Hampton and Poquoson, and York County from the Hampton Roads Transportation Authority.

House Bill 507 would eliminate in the Hampton Roads Transportation Authority the sales and use tax on motor vehicle repairs, the initial vehicle registration fee, the congestion relief fee, and the increased commercial real estate tax, and would increase the motor vehicle fuel sales tax, the car rental fee, and the annual vehicle license fee. This bill would also revise the number of members needed to impose taxes and fees in the Hampton Roads Transportation Authority and required for a quorum at meetings, and eliminate references to certain projects.

Senate Bill 176 would eliminate in the Hampton Roads Transportation Authority the sales and use tax on motor vehicle repairs, the annual motor vehicle inspection fee, the annual license fee, and the congestion relief grantor's tax. This bill would also increase the initial registration fee, the motor vehicle fuel sales tax and the car rental fee.

House Bill 361 would provide that the sales and use tax on motor vehicle repairs does not include charges for towing and storage of motor vehicles.

House Bill 450 would prohibit any entity that has agreed to pay for vehicle repair services under a written indemnification agreement from requiring or recommending that the vehicle owner of a vehicle registered in a county or city embraced by the Northern Virginia Transportation Authority or the Hampton Roads Transportation Authority ("Authority") use a repair facility in a city or county not embraced by an Authority unless it also provides the vehicle owner the option of using a repair facility in a city or county that is embraced by an Authority.

House Bill 579 and House Bill 1120 would provide that the formula that compensates dealers with a percentage of their collected Retail Sales and Use Tax include the sales and use tax on motor vehicle repairs collected by the dealer.

Senate Bill 2 would extend the 5% state and local retail sales and use tax to sales of motor fuels. The revenue generated by a four percent state retail sales tax on motor fuels would be deposited into the Transportation Trust Fund. The revenue generated by a one percent local retail sales tax on motor fuels would be returned to the locality in which the sale was made and would be used by the respective county or city solely for transportation purposes.

Senate Bill 469 would eliminate the sales and use tax on motor vehicle repairs and certain abusive driver fees. This bill would also increase the state motor fuels tax rate by \$0.02 per gallon and allow for the refund of abusive driver fees paid, with interest.

Senate Bill 729 would authorize the Northern Virginia Transportation Authority to impose a 0.50 percent retail sales and use tax in the counties and cities embraced by the Northern Virginia Transportation Authority.

cc : Secretary of Finance

Date: 1/28/2008 AM
DLAS File Name: SB724F161.doc