

Department of Planning and Budget 2009 Fiscal Impact Statement

1. Bill Number: HB1846

House of Origin X Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. Patron: Lingamfelter

3. Committee: House Finance

4. Title: **Motor fuels tax; converts rates to percentage that shall be calculated by DMV Commissioner.**

5. Summary: The proposed legislation would eliminate the current seventeen and one-half cents per gallon motor fuels tax and replace it with a five percent sales and use tax, while retaining the collection of the replacement tax at the “rack,” which is the term for the wholesale level where the current cents per gallon tax is collected. The tax rate per gallon to be charged would be calculated by the Commissioner of the Department of Taxation using the statewide average price per gallon of fuel, less federal and state taxes, as determined over rolling six-month periods. For the first six months of FY 2010, the current rate of 17.5 cents per gallon would apply.

6. Fiscal Impact Estimates: Indeterminate. See Item 8.

7. Budget Amendment Necessary: No, but if revenues generated by the provisions of the bill are greater or less than the current appropriation, actions will need to be taken either administratively or through the budget.

8. Fiscal Implications: The revenue generated by the tax proposed in this bill could be either higher or lower than the revenue generated by the current tax on motor fuels. In order for a five percent sales tax to equal the current fuels tax rate of 17.5 cents per gallon, the statewide average retail price would need to be \$3.50 per gallon. If the statewide average retail price of gasoline and diesel fuel is below \$3.50 per gallon over the six month period used by the Commissioner of Taxation, the revenue supporting transportation would be less than the current revenue stream. The revenue generated by the tax proposed in this bill would vary as the prices of gasoline and diesel fuel fluctuates.

9. Specific Agency or Political Subdivisions Affected: Department of Transportation, Department of Motor Vehicles, Department of Taxation.

10. Technical Amendment Necessary: None.

11. Other Comments: The fuels tax rate was last raised in the 1986 session of the General Assembly. The Code of Virginia directs that the amount generated by the tax rate in effect prior to the 1986 session support the Highway Maintenance and Operating Fund and the

additional tax revenue be deposited in the Transportation Trust Fund. It is not clear how the revenue generated by the provisions of this bill will be divided between the two funds.

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cc: Secretary of Transportation