

## Department of Planning and Budget 2010 Fiscal Impact Statement

**1. Bill Number:** HB230

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

**2. Patron:**        Watts

**3. Committee:** Finance

**4. Title:**            **Motor fuels tax; rate increase; allocation of construction funds for primary highway system**

**5. Summary:** This bill increases the motor fuels tax by \$0.10 per gallon, minus \$0.01 for each \$0.20 that the average price of gasoline exceeds \$3.00. The tax will be indexed every two years beginning July 1, 2011, by an amount equal to the percentage change in the U.S. Department of Labor's Producer Price Index for Highway and Street Construction. The revenue generated is used for transportation purposes as required by existing law, and allocates primary system highway construction funds among the nine highway construction districts on the basis of the ratio of vehicle miles traveled on primary highways divided by the lane miles of primary highways in each highway construction district, weighted 90 percent, and a need factor, weighted 10 percent.

**6. Fiscal impact estimates:** Preliminary.

**6a. Expenditure impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2010	-	-	-
2011	\$23,120	-	NGF
2012	-	-	-

**6b. Revenue impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2010	-	-	-
2011	\$509,500,000	-	NGF
2012	\$562,300,000	-	NGF
2013	\$604,000,000	-	NGF
2014	\$508,400,000	-	NGF
2015	\$384,300,000	-	NGF
2016	\$336,200,000	-	NGF

**7. Budget amendment necessary:** Yes, Item 452.

**8. Fiscal implications:** The Department of Motor Vehicles would incur a one-time expenditure of \$23,120 to implement the provisions of this legislation. In addition, the Department of Motor Vehicles would have to make ongoing but undetermined expenditures

to communicate information about the new tax rate to taxpayers. The agency anticipates that it would be able to absorb this cost.

The estimated revenue impact has been provided by the Department of Taxation, and is based on projected changes in the price of fuel and in the U.S. Department of Labor's Producer Price Index for Highway and Street Construction (the PPI). It should be noted, however, that while revenue is expected to be higher under the tax proposed in this legislation than under the current tax, revenue could also be lower. The bill would make three changes to the current fuels tax:

- It would raise the base rate of the tax from 17.5 cents per gallon to 27.5 cents per gallon.
- It would provide for monthly adjustments to this 27.5 cent base rate, beginning August 1, 2011. The rate would fall by \$0.01 for each \$0.20 above \$3.00 in the average price of fuel.
- Beginning July 1, 2011, it would index the tax to changes in the PPI. The rate would be adjusted every two years (24 months) to reflect the change in the PPI over the period from October 1 to September 30 of the preceding year (12 months).

While the first of these changes would raise revenue, the second change could lower it: if fuel prices were to rise to \$5 per gallon, the tax rate would drop back to 17.5 cents per gallon; if prices climbed above \$5 per gallon, then the tax rate would fall below its current level. The third change that this bill would make to the motor fuels tax could either raise or lower the rate, and thus either increase or decrease revenue.

**9. Specific agency or political subdivisions affected:** Department of Motor Vehicles, Department of Transportation, Department of Taxation.

**10. Technical amendment necessary:** No.

**11. Other comments:** This bill would likely raise fuels tax revenue, as well as increase the tax liabilities of those entities that pay the fuels tax. Some consideration may be given to increasing the current statutory provisions regarding the security (bond or certificate of deposit) required from taxpayers pursuant to Va. Code §§ 58.1-2211 and -2246.

**Date:** 1/18/10/jlv

**Document:** G:\10-12\FIS\HB230.Doc Janet Vogelgesang

cc: Secretary of Transportation