

# DEPARTMENT OF TAXATION

## 2010 Fiscal Impact Statement

1. **Patron** David L. Englin

2. **Bill Number** HB 269

3. **Committee** House Finance

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

4. **Title** Motor Vehicle Fuel Sales Tax; Rate Increase

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

### 5. **Summary/Purpose:**

This bill would increase the rate of the Motor Vehicle Fuel Sales Tax imposed in the Northern Virginia Transportation District and the Potomac and Rappahannock Transportation District from 2.1% to 4.2%.

The effective date of this bill is not specified.

6. **Fiscal Impact Estimates are:** Preliminary. (See Line 8.)

#### 6b. **Revenue Impact:**

<i><b>Fiscal Year</b></i>	<i><b>Dollars</b></i>	<i><b>Fund</b></i>
2009-10	\$0	NGF
2010-11	\$47.9 million	NGF
2011-12	\$59.0 million	NGF
2012-13	\$66.4 million	NGF
2013-14	\$73.1 million	NGF
2014-15	\$78.9 million	NGF
2015-16	\$80.3 million	NGF

7. **Budget amendment necessary:** No.

### 8. **Fiscal implications:**

#### Administrative Costs

TAX would not incur any costs in the implementation of this bill.

#### Revenue Impact

This bill would increase the rate of the Motor Vehicle Fuel Sales Tax in the Potomac and Rappahannock Transportation District and the Northern Virginia Transportation District from 2.1 percent to 4.2 percent. Effective January 1, 2010, the Motor Vehicle Fuel Sales Tax was changed from a 2% tax imposed on the sales price charged by retail dealers to a 2.1% tax imposed on the sales price charged by distributors to retail dealers. Doubling

the current tax rate from 2.1% to 4.2% would result in an estimated revenue gain of \$47.9 million in Fiscal Year 2011, \$59.0 million in Fiscal Year 2012, \$66.4 million in Fiscal Year 2013, \$73.1 million in Fiscal Year 2014, \$78.9 million in Fiscal Year 2015, and \$80.3 million in Fiscal Year 2016 to the Potomac and Rappahannock Transportation District and the Northern Virginia Transportation District.

**9. Specific agency or political subdivisions affected:**

Department of Taxation  
Northern Virginia Transportation District  
Potomac and Rappahannock Transportation District

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

**11. Other comments:**

Background

In addition to the Virginia Motor Fuel Tax that is imposed at a rate of 17.5 cents per gallon, a separate tax is imposed on fuel sales within two Transportation Districts in Northern Virginia. The Northern Virginia Transportation District is comprised of the Counties of Arlington, Fairfax and Loudoun and the Cities of Alexandria, Fairfax, and Falls Church. The Potomac and Rappahannock Transportation District is comprised of the Counties of Prince William and Stafford and the Cities of Fredericksburg, Manassas and Manassas Park. Spotsylvania County will join the Potomac and Rappahannock Transportation District effective February 15, 2010.

In 1980, the General Assembly levied a 2% Motor Vehicle Fuel Sales Tax on the retail price of all motor fuel sold in the localities that then comprised the Northern Virginia Transportation District. The revenue from the tax was required to be applied to the operating deficit, capital and debt service of the mass transit system of such district. The 1986 General Assembly session amended the law to levy the tax on any jurisdiction located within a metropolitan area contiguous to the Northern Virginia Transportation District which became a member of a transportation district established on or after July 1, 1986. The revenue from the tax in such a transportation district was required to be applied and expended for any mass transit purpose. This allowed for the levy of the Motor Vehicle Fuel Sales Tax in the Potomac and Rappahannock Transportation District.

Effective January 1, 2010, the Motor Vehicle Fuel Sales Tax is collected by distributors of fuels at the rate of 2.1 percent of the sales price charged by the distributor to any retail dealer for retail sale in the Northern Virginia Transportation District and the Potomac and Rappahannock Transportation District. The revenue from the tax is distributed monthly to the appropriate district and used for transportation needs within the district.

Proposal

This bill would increase the rate of the Motor Vehicle Fuel Sales Tax imposed in the Northern Virginia Transportation District and the Potomac and Rappahannock Transportation District from 2.1% to 4.2%. Distributors would charge 4.2% instead of

2.1% on the sales price of motor fuel to any retail dealer for retail sale in the Northern Virginia Transportation District and the Potomac and Rappahannock Transportation District.

The effective date of this bill is not specified.

Similar Legislation

**House Bill 1329** would define "gross sales" and "sales price" for purposes of the Motor Vehicle Fuel Sales Tax imposed in the Northern Virginia Transportation District and the Potomac and Rappahannock Transportation District.

cc : Secretary of Finance

Date: 1/26/2010 AM  
DLAS File Name: HB269F161