

DEPARTMENT OF TAXATION

2011 Fiscal Impact Statement

1. **Patron** Jeffrey L. McWaters

3. **Committee** Senate Finance

4. **Title** Transportation Funding; Revenues
Generated by Highway Contractors

2. **Bill Number** SB 1285

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would dedicate the estimated net revenues generated by the state Retail Sales and Use Tax, Individual Income Tax, and Corporate Income Tax paid by highway contractors to the Transportation Trust Fund beginning July 1, 2011.

For the purposes of this bill, "highway contractor" means any person primarily engaged in i) contracting for the construction, improvement, repair, or maintenance of highways or highway bridges or ii) supplying labor, material, or machinery and equipment used in construction, improvement, repair, or maintenance of highways or highway bridges.

The estimate of net revenue generated by the state individual and corporate income taxes paid by highway contractors would be based upon a review by TAX of recent income tax returns filed by highway contractors. The Comptroller would transfer an amount from General Fund revenues equal to the estimate to the Transportation Trust Fund each quarter. The estimate of net revenue generated by the state Retail Sales and Use Tax paid by highway contractors would be computed by multiplying the total net revenue generated by the state Retail Sales and Use Tax in the quarter by the proportion of the total state income taxes in the quarter paid by highway contractors. The Comptroller would transfer an amount from discretionary General Fund revenues equal to the estimate to the Transportation Trust Fund each quarter.

The effective date of this bill is not specified.

6. **Budget amendment necessary:** No.

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

8. **Fiscal implications:**

Administrative Costs

TAX considers implementation of this bill as routine, and does not require additional funding.

Revenue Impact

This bill would require a transfer of revenues from the General Fund of approximately \$8.0 million a year in Corporate Income Tax and Individual Income Tax revenues to the Transportation Trust Fund. As approximately 0.08 percent of all state income taxes are paid by highway contractors, the state Retail Sales and Use Tax revenues paid by highway contractors is estimated to be \$2.8 million a year. In total, this bill would dedicate approximately \$10.8 million a year to the Transportation Trust Fund beginning July 1, 2011. To implement the transfer required by this bill, a reduction of an equal amount of General Fund support from other areas in the introduced budget would be required.

9. Specific agency or political subdivisions affected:

Department of Taxation
Transportation Trust Fund

10. Technical amendment necessary: No.

11. Other comments:

Proposal

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As corporate income tax revenues vary from year to year based on each business' profitability, the amounts transferred from the General Fund to the Transportation Trust Fund would vary from year to year.

The effective date of this bill is not specified.

Similar Legislation

House Bill 1653 would impose the 2.1% Motor Vehicle Fuel Sales Tax in the counties and cities within each transportation district wherein such tax is approved in a voter referendum of such counties and cities on November 8, 2011. The revenue attributable to each transportation district would be used solely for the construction of highways, bridges, or tunnels within the respective transportation district.

House Bill 2222 would require that 30 percent of the growth in the state tax revenues attributable to localities embraced by the Northern Virginia Transportation Authority, and facilities located in Hampton Roads, and the Richmond, Salem and Staunton Highway Construction Districts be appropriated from the General Fund to the Northern Virginia Transportation Authority and for construction projects in localities embraced by the Hampton Roads Transportation Authority and the Richmond, Salem, and Staunton Highway Construction Districts starting in Fiscal Year 2011.

Senate Bill 1447 would dedicate an amount estimated by TAX to equal the net revenues generated by the Corporate Income Tax paid by corporations engaged in commercial human spaceflights or commercial spaceflight training and the net revenues generated by the state Retail Sales and Use Tax on sales of commercial human spaceflights and commercial spaceflight training in the Commonwealth to the Virginia Commercial Space Flight Authority ("Authority") beginning July 1, 2011. The Comptroller would transfer an amount from discretionary General Fund revenues equal to the estimate to the Authority each quarter.

cc : Secretary of Finance

Date: 1/29/2011 AM
DLAS File Name:SB1285F161