

# DEPARTMENT OF TAXATION

## 2012 Fiscal Impact Statement

1. **Patron** David L. Englin

3. **Committee** House Finance

4. **Title** Motor Vehicle Fuel Sales Tax;  
Transportation District Funding

2. **Bill Number** HB 1027

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

**5. Summary/Purpose:**

This bill would authorize two or more adjoining counties or cities that are constructing or operating a high capacity transit system to impose a 2.1% Motor Vehicle Fuel Sales Tax. The revenue attributable to each locality would be used for constructing or operating the high capacity transit system.

Under current law, 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.

The effective date of this bill is not specified.

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

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

**8. Fiscal implications:**

Administrative Costs

The Department considers implementation of this bill as routine, and does not require additional funding. However, Governor McDonnell's Government Reform & Restructuring Commission, has recommended that the administration of the Motor Vehicle Fuel Sales Tax be transferred to DMV. If both this bill and legislation transferring the administration of the Motor Vehicle Fuel Sales Tax, House Bill 876 and Senate Bill 503, are enacted, the Motor Vehicle Fuel Sales Tax imposed in this bill would be better administered by DMV.

## Revenue Impact

This bill would have no impact on state revenues. This bill would have an unknown positive revenue impact on the local revenues, as it depends upon imposition by two or more adjoining counties or cities constructing or operating a high capacity transit system.

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

Department of Taxation  
Department of Motor Vehicles  
All localities

### **10. Technical amendment necessary: Yes.**

If the intent of this legislation is to authorize localities constructing or operating high capacity transit systems to impose a Motor Vehicle Fuel Sales Tax, the following technical amendments are suggested:

Page 1, Line 25, After high  
Strike: speed  
Insert: capacity

### **11. Other comments:**

#### Motor Vehicle Fuel Sales Tax

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, Spotsylvania, and Stafford and the Cities of Fredericksburg, Manassas and Manassas Park.

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. Currently, the Motor Vehicle Fuel Sales Tax is administered by the Department.

Governor McDonnell's Government Reform & Restructuring Commission, which worked to develop proposals for reforming state government to reduce costs and improve service delivery, has recommended that the administration of the Motor Vehicle Fuel Sales Tax be transferred to DMV. If both this bill and legislation transferring the administration of the Motor Vehicle Fuel Sales Tax are enacted, the Motor Vehicle Fuel Sales Tax imposed in this bill would be better administered by DMV.

### Proposal

This bill would authorize two or more adjoining counties or cities that are constructing or operating a high capacity transit system to impose a 2.1% Motor Vehicle Fuel Sales Tax. The Motor Vehicle Fuel Sales Tax would be collected by distributors on fuels sold to retail dealers for retail sale in the localities. The revenue attributable to each locality would be used for constructing or operating the high capacity transit system. A "high capacity transit system" would be defined as a system that provides transit by rail or by bus using dedicated right-of-way for at least 30 percent of its route. The tax could be imposed only if at least one other adjoining city or county imposes the tax.

The effective date of this bill is not specified.

### Similar Legislation

**House Bill 422** would impose a motor vehicle fuel sales tax at a rate of 1% of the sales price charged by distributors to retail dealers and reduce the sales and use tax rate on food for human consumption from 1.5% to 1%. The bill would also impose an additional 0.5 percent state retail sales and use tax and an increase in the grantor's tax by a rate of \$0.40 per \$100 of value in Northern Virginia with the revenues dedicated to the Northern Virginia Transportation Authority for transportation needs.

**House Bill 802** would impose a pump toll of \$0.50 on each sale by a retail dealer in the Commonwealth of conventional and clean fuel subject to the Virginia Fuels Tax. An additional \$0.50 pump toll is imposed on sales of 35 gallons or more. The bill would also impose the pump toll on bulk conventional fuel sold by distributors at a rate of \$1.00 for each 12 gallons of gasoline sold and \$1.00 for each 60 gallons of diesel sold.

**House Bill 876** and **Senate Bill 503 (Executive Bills)**, and **Senate Bill 138** (similar) would transfer the administration of the Motor Vehicle Fuel Sales Tax from the Department to the DMV.

**House Bill 892** would impose a 5% retail sales and use tax to sales of fuels subject to the Virginia Fuels Tax, excluding aviation fuel and dyed diesel fuel. The bill would also reduce the Virginia Fuels Tax by \$0.05 per gallon. Of the net additional revenues generated by the bill, \$250 million would be deposited into the Highway Maintenance and Operating Fund and the remainder would be deposited into the newly created Highway Construction Projects Trust Fund.

cc : Secretary of Finance

Date: 1/28/2012 AM

DLAS File Name: HB1027F161