

Department of Planning and Budget 2012 Fiscal Impact Statement

1. Bill Number: HB422

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron: Watts

3. Committee: House Finance

4. Title: Transportation; additional funding by imposing and increasing certain taxes.

5. Summary: The proposed legislation would increase specified taxes in Northern Virginia localities and direct the additional funding to the Northern Virginia Transportation Authority (NVTa). The bill would increase the use tax on tangible personal property that is not motor vehicles, aircraft and watercraft from 4.0 percent to 4.5 percent. It would create a regional congestion fee that would impose an additional recordation tax of \$0.40 per \$100 of assessed value and it would impose an additional sales and use tax of 0.5 percent on non-food purchases. The additional revenue is to be used by the NVTa solely for transportation projects benefiting those localities that have imposed a tax of \$0.125 per \$100 of assessed value on a specified classification of real property.

The bill also creates a Transportation Infrastructure User Fee of one percent of the sales price of fuel sold by a distributor to a retail dealer. The fee is to increase by one percent for four years, then be indexed to the Producer Price Index each year thereafter. Proceeds from the fee are to be deposited into subaccounts of the Highway Maintenance and Operating Fund (HMOF). A subaccount is to be created for each construction district and funds are to be used only for maintenance on highways within the construction district in which they were generated.

In addition, the bill would reduce the state sales and use tax charged on food purchases from 1.5 percent to 1.0 percent. The revenue generated by the half percent is currently deposited in the Transportation Trust Fund (TTF).

6. Budget Amendment Necessary: None.

7. Fiscal Impact Estimates: Preliminary. See Item 8.

7a. Revenue Impact: (in \$ millions)

	2013	2014	2015	2016	2017	2018
Northern Virginia Transportation Authority						
Northern Virginia Sales Tax*	\$145.9	\$164.7	\$172.6	\$181.0	\$189.1	\$196.6
Regional Congestion Relief Fee	\$92.9	\$92.9	\$92.9	\$92.9	\$92.9	\$92.9
Northern Virginia Property Tax	Revenue impact unknown					
Transportation Trust Fund						
Reduce the Sales Tax on Food*	(\$71.8)	(\$81.1)	(\$85.0)	(\$89.1)	(\$93.1)	(\$96.8)
Highway Maintenance and Operating Fund						
Transportation Infrastructure User Fee*	\$168.6	\$387.2	\$613.6	\$859.1	\$937.3	\$1,011.3

*FY13 is an 11 month effect.

- 8. Fiscal Implications:** The proposed legislation would generate additional funding for highway maintenance, but reduces construction funding in the TTF. State law requires maintenance needs to be funded prior to construction activities; in years of a maintenance shortfall, funds need to be transferred from the construction program to the maintenance program. The transfer in FY12 is expected to be \$447.8 million. Since the proposed legislation provides more funding to the HMOF than it reduces to the TTF, the net result is an increase to the state's highway construction fund.

The bill directs the NVTa to use its funds for specified purposes. The projects funded through the additional NVTa revenue may free state funding for other transportation projects within the region.

- 9. Specific Agency or Political Subdivisions Affected:** Virginia Department of Transportation, Northern Virginia localities, Department of Taxation

- 10. Technical Amendment Necessary:** None.

- 11. Other Comments:** None.

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