

# DEPARTMENT OF TAXATION

## 2012 Fiscal Impact Statement

1. **Patron** Thomas Davis Rust

2. **Bill Number** HB 876

3. **Committee** Passed House and Senate

**House of Origin:**

☐ Introduced

☐ Substitute

☐ Engrossed

4. **Title** Motor Vehicle Fuel Sales Tax; Transfer of Administration

**Second House:**

☐ In Committee

☐ Substitute

☒ Enrolled

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

This bill would transfer the administration of the Motor Vehicle Fuel Sales Tax from the Department of Taxation to the Department of Motor Vehicles ("DMV"). This is a recommendation of the Governor McDonnell's Government Reform & Restructuring Commission.

Under current law, distributors of fuels must collect the Motor Vehicle Fuel Sales Tax at the rate of 2.1 percent of the sales price imposed upon 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.

### **This is an Executive Bill.**

The bill would be effective July 1, 2013.

6. **Budget amendment necessary:** Yes.

ITEM(S): 437, Department of Motor Vehicles

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

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

#### Administrative Costs

This bill would shift the administration of the Motor Vehicle Fuel Sales Tax currently administered by the Department. DMV would incur costs of approximately \$50,000 in Fiscal Year 2013 in startup costs and approximately \$213,000 each Fiscal Year thereafter to administer the tax, including costs for 2 full time employees. DMV would receive revenues from the Motor Vehicle Fuel Sales Tax to cover the direct costs of administering the tax. The administration of the Motor Vehicle Fuel Sales Tax is very similar to the Virginia Fuels Tax, which DMV administers. There is a substantial amount of overlap between the entities responsible for remitting the Motor Vehicle Fuel Sales Tax and those

responsible for paying the fuels taxes administered by DMV. Additionally, DMV currently has reporting requirements for the fuels taxes it administers and has many years of experience in auditing motor fuel suppliers and distributors that may be beneficial when administering the Motor Vehicle Fuel Sales Tax. These efficiencies would allow DMV to administer the tax with 2 employees instead of the 3 employees that the Department currently uses. The Department currently receives revenues from the Motor Vehicle Fuel Sales Tax to cover the direct costs of administering the tax.

#### Revenue Impact

As DMV would administer the tax in substantially the same manner as the Department has, the bill would have no revenue impact.

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

Department of Taxation  
Department of Motor Vehicles  
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, 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. The Department issued Guidelines and Rules for the Motor Vehicle Fuel Sales Tax, Public Document 10-101, on June 22, 2010, to provide guidance to taxpayers regarding the imposition and administration of the tax.

The administration of the Motor Vehicle Fuel Sales Tax is very similar to the Virginia Fuels Tax, which DMV administers. Additionally, most of the distributors subject to the Motor Vehicle Fuel Sales Tax already file Virginia Fuels Tax returns with DMV. Transferring the Motor Vehicle Fuel Sales Tax to DMV would allow distributors to file and pay taxes with a single agency and to be audited for those taxes by one agency with experience in fuel. As such, neither DMV nor the Department sees any obstacles to a transfer in administrative responsibility.

This is a recommendation of Governor McDonnell's Government Reform & Restructuring Commission, which worked to develop proposals for reforming state government to reduce costs and improve service delivery. On December 21, 2010, the Commission submitted its full report to the Governor with 133 recommendations and observations. The Commission met again the summer of 2011 to provide an update on the 2010 recommendations and to adopt additional recommendations proposed by the six working groups: Health and Human Resources, Natural Resources, Administration/HR, Finance, and Commerce and Trade. The Finance working group proposed three recommendations regarding tax collection, including the transfer of the administration of the Motor Vehicle Fuel Sales Tax to DMV.

### Proposal

This bill would transfer the administration of the Motor Vehicle Fuel Sales Tax from the Department of Taxation to the DMV. The bill would codify the Department's current policies interpreting the imposition of the tax as set forth in the Guidelines and Rules for the Motor Vehicle Fuel Sales Tax published by the Department.

The bill would also change the administration of the Motor Vehicle Fuel Sales Tax so that the penalties and due dates for the tax more closely mirror those of the Virginia Fuels Tax currently administered by DMV. The bill would extend the deadline for filing returns and remitting tax payments to the 20<sup>th</sup> day of the second month following the month for which taxes are due. There would be an exception for May returns and payments, which would be due by the end of June. This would streamline and simplify reporting, auditing, and enforcement operations.

### **This is an Executive Bill.**

The bill would be effective July 1, 2013.

### Similar Legislation

**Senate Bill 503** is identical to this bill.

cc : Secretary of Finance

Date: 2/17/2012 AM

DLAS File Name: HB876FER161