

DEPARTMENT OF TAXATION

2012 Fiscal Impact Statement

1. **Patron** David B. Albo

2. **Bill Number** HB 899

3. **Committee** House Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. **Title** Transportation Funding; Virginia Fuels Tax
and Retail Sales and Use Tax Revenue

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would dedicate an amount estimated by the Department to equal a one-quarter percent retail sales and use tax in the Cities of Alexandria, Fairfax, Falls Church, Manassas and Manassas Park, and the Counties of Arlington, Fairfax, Loudoun, and Prince William to the Northern Virginia Transportation Authority beginning July 1, 2012. The bill would also dedicate an amount estimated by the Department to equal a one-quarter percent retail sales and use tax in the Cities of Chesapeake, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, and Williamsburg, and the Counties of Isle of Wight, James City, and York to the Hampton Roads Transportation Planning Organization beginning July 1, 2012. The revenues would be required to be used solely for projects in the Commonwealth Transportation Board's Six-Year Improvement Program.

Beginning July 1, 2012, the bill would also adjust the Virginia Fuels Tax annually by a percentage equal to the percentage change on the National Highway Construction Cost Index from January 1 through December 31 of the preceding year, as determined by the Department of Motor Vehicles.

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

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

Revenue Impact

This bill would require the transfer of discretionary General Fund revenues to the Northern Virginia Transportation Authority of approximately \$93.1 million in Fiscal Year 2013, \$96.3 million in Fiscal Year 2014, \$100.9 million in Fiscal Year 2015, \$105.9 million in Fiscal Year 2016, \$110.5 million in Fiscal Year 2017, and \$115.0 million in Fiscal Year 2018.

Revenue Impact (millions) (Effective July 1, 2012)						
Locality	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Arlington County	\$9.8	\$10.2	\$10.7	\$11.2	\$11.7	\$12.2
Fairfax County	42.0	43.5	45.6	47.8	49.9	51.9
Loudoun County	15.7	16.3	17.1	17.9	18.7	19.4
Prince William County	13.3	13.8	14.4	15.1	15.8	16.4
Alexandria	6.3	6.5	6.8	7.2	7.5	7.8
Fairfax City	2.6	2.7	2.8	3.0	3.1	3.2
Falls Church	0.9	1.0	1.0	1.1	1.1	1.2
Manassas	1.9	2.0	2.1	2.2	2.3	2.4
Manassas Park	<u>0.4</u>	<u>0.4</u>	<u>0.4</u>	<u>0.4</u>	<u>0.4</u>	<u>0.4</u>
Northern VA Total	\$93.1	\$96.3	\$100.9	\$105.9	\$110.5	\$115.0

This bill would require the transfer of discretionary General Fund revenues to Hampton Roads Transportation Planning Organization of approximately \$49.6 million in Fiscal Year 2013, \$51.4 million in Fiscal Year 2014, \$53.8 million in Fiscal Year 2015, \$56.5 million in Fiscal Year 2016, \$59.0 million in Fiscal Year 2017, and \$61.3 million in Fiscal Year 2018.

Revenue Impact (millions) (Effective July 1, 2012)						
Locality	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Isle of Wight County	\$0.6	\$0.6	\$0.6	\$0.7	\$0.7	\$0.7
James City County	2.4	2.4	2.6	2.7	2.8	2.9
York County	2.4	2.5	2.6	2.8	2.9	3.0
Chesapeake	8.6	8.9	9.3	9.8	10.2	10.6
Hampton	3.7	3.8	4.0	4.2	4.4	4.6
Newport News	5.7	5.9	6.2	6.5	6.7	7.0
Norfolk	7.6	7.8	8.2	8.6	9.0	9.4
Poquoson	0.1	0.1	0.1	0.2	0.2	0.2
Portsmouth	1.7	1.7	1.8	1.9	2.0	2.1
Suffolk	2.0	2.1	2.2	2.3	2.4	2.5
Virginia Beach	13.8	14.3	15.0	15.7	16.4	17.1
Williamsburg	<u>1.1</u>	<u>1.1</u>	<u>1.2</u>	<u>1.2</u>	<u>1.3</u>	<u>1.3</u>
Hampton Roads Total	\$49.6	\$51.4	\$53.8	\$56.5	\$59.0	\$61.3

This bill is estimated to dedicate a total of \$142.7 million in Fiscal Year 2013, \$147.7 million in Fiscal Year 2014, \$154.8 million in Fiscal Year 2015, \$162.3 million in Fiscal

Year 2016, \$169.5 million in Fiscal Year 2017, and \$176.3 million in Fiscal Year 2018 to transportation projects.

Indexing the Virginia Fuels Tax is estimated to provide a revenue gain of approximately \$11.6 million in Fiscal Year 2013, \$32.0 million in Fiscal Year 2014, \$61.6 million in Fiscal Year 2015, \$95.4 million in Fiscal Year 2016, \$131.8 million in Fiscal Year 2017, and \$164.6 million in Fiscal Year 2018 to the Highway Maintenance and Operating Fund.

9. Specific agency or political subdivisions affected:

Department of Taxation
Department of Motor Vehicles
Northern Virginia Transportation Authority
Hampton Roads Transportation Planning Organization

10. Technical amendment necessary: No.

11. Other comments:

Background

Prior to January 1, 2010, the Motor Vehicle Fuel Sales Tax was imposed in the Northern Virginia Transportation District and the Potomac and Rappahannock Transportation District at the rate of 2 percent of the sales price charged by retail dealers of fuel to their customers. The tax was collected by retail dealers of fuel from their customers and remitted to the Department.

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 member localities of the Northern Virginia Transportation District are the Counties of Arlington, Fairfax and Loudoun and the Cities of Alexandria, Fairfax, and Falls Church; and the member localities of the Potomac and Rappahannock Transportation District are the Counties of Prince William, Spotsylvania, and Stafford and the Cities of Fredericksburg, Manassas and Manassas Park.

Proposal

This bill would dedicate an amount estimated by the Department to equal a one-quarter percent retail sales and use tax in the Cities of Alexandria, Fairfax, Falls Church, Manassas and Manassas Park, and the Counties of Arlington, Fairfax, Loudoun, and Prince William to the Northern Virginia Transportation Authority beginning July 1, 2012. The bill would also dedicate an amount estimated by the Department to equal a one-quarter percent retail sales and use tax in the Cities of Chesapeake, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, and Williamsburg, and the Counties of Isle of Wight, James City, and York to the Hampton Roads Transportation

Planning Organization beginning July 1, 2012. The revenues would be required to be used solely for projects in the Commonwealth Transportation Board's Six-Year Improvement Program.

Beginning July 1, 2012, the bill would also adjust the Virginia Fuels Tax annually by a percentage equal to the percentage change on the National Highway Construction Cost Index from January 1 through December 31 of the preceding year, as determined by the Department of Motor Vehicles.

The effective date of this bill is not specified.

Similar Legislation

House Bill 23 would increase the amount of sales and use tax revenue dedicated to the Transportation Trust Fund from an amount generated by a 0.5 percent sales and use tax to an amount generated by a one percent sales and use tax. The increase would be phased in by a 0.1 percent increase over five years, with the first increase effective beginning July 1, 2012 and ending September 30, 2013.

House Bill 898 would dedicate an amount generated by a 0.25 percent sales and use tax to the Highway Maintenance and Operating Fund. Additionally, beginning July 1, 2013, each fiscal year the bill would dedicate one-third of the Insurance License Tax revenues collected in the previous fiscal year, less one-third of the amount refunded in the previous fiscal year, to the Highway Maintenance and Operating Fund.

House Bill 1248 and **Senate Bill 639** would dedicate discretionary General Fund revenue to the Highway Maintenance and Operating Fund. The bills would also dedicate from the General Fund an amount equal to 25 percent of the estimated growth in the state tax revenues generated within transportation improvement districts to the Transportation Improvement District Fund.

cc : Secretary of Finance

Date: 2/6/2012 AM
DLAS File Name: HB899F161