

DEPARTMENT OF TAXATION

2013 Fiscal Impact Statement

1. **Patron** Mark L. Cole

3. **Committee** House Finance

4. **Title** Transportation Funding; Increase
Transportation Trust Fund Distribution

2. **Bill Number** HB 1403

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill 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 each year over five years, with the first increase effective beginning July 1, 2013 and ending September 30, 2014. Each increase thereafter would be effective October 1 of each year, with the last increase scheduled to begin October 1, 2017. However, the bill provides that, beginning with the increase effective October 1, 2014, if the general fund revenue forecast for that fiscal year is less than 0.1 percent greater than the general fund revenues collected for the previous fiscal year, the increase would not go into effect for that year. The increases would continue when the general fund revenue forecast for a fiscal year is more than or equal to 0.1 percent greater than the general fund revenues collected for the previous fiscal year. The increases would continue until the amount dedicated to the Transportation Trust Fund equaled the revenue generated by a one percent sales and use tax.

The effective date of this bill is not specified.

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

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

7b. **Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2012-13	\$0	TTF
	\$0	GF
2013-14	\$97.9 million	TTF
	(\$97.9 million)	GF
2014-15	\$177.9 million	TTF
	(\$177.9 million)	GF
2015-16	\$290.4 million	TTF
	(\$290.4 million)	GF
2016-17	\$410.9 million	TTF
	(\$410.9 million)	GF

2017-18	\$538.1 million	TTF
	(\$538.1 million)	GF
2018-19	\$580.2 million	TTF
	(\$580.2 million)	GF

8. Fiscal implications:

Administrative Costs

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

Revenue Impact

The Governor's Transportation Proposal allocates currently undedicated Retail Sales and Use Tax revenues from the General Fund to the Highway Maintenance and Operating Fund ("HMOF") beginning July 1, 2013. The commitment excludes the amount of Retail Sales and Use Tax attributable to the tax on food for human consumption. The percentage of Retail Sales and Use Tax revenues dedicated to the HMOF will be 0.05 percent in Fiscal Year 2014 (approximately \$49.0 million), 0.10 percent in Fiscal Year 2015 (approximately \$101.7 million), 0.15 percent in Fiscal Year 2016 (approximately \$158.4 million), 0.20 percent in Fiscal Year 2017 (approximately \$219.2 million), and 0.25 percent in Fiscal Years 2018 and 2019 (approximately \$283.2 million and \$290.1 million).

The revenue impact of this bill assumes the commitment of the revenues contained in the Governor's Transportation Proposal. This bill would require an additional transfer of revenues from the General Fund of approximately \$97.9 million in Fiscal Year 2014, \$177.9 million in Fiscal Year 2015, \$290.4 million in Fiscal Year 2016, \$410.9 million in Fiscal Year 2017, \$538.1 million in Fiscal Year 2018, and \$580.2 million in Fiscal Year 2019 in state Retail Sales and Use Tax revenues to the Transportation Trust Fund. These transfers would be in addition to the commitment of revenues to the HMOF contained in the Governor's Transportation Proposal set out in the introduced Executive Budget. 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:

Transportation Trust Fund
Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Generally

The Transportation Trust Fund was established in 1986 as a permanent fund and receives all of the revenue generated as a result of the 0.5 percent retail sales and use tax increase effective January 1, 1987. Moneys in this fund are dedicated to

transportation needs in the Commonwealth. No other sales and use tax revenue is dedicated to transportation.

The state sales tax rate on food was reduced from three percent to 1.5 percent in July 2005. Of this 1.5 percent, 0.5 percent continued to be allocated to the Transportation Trust Fund and the remaining one percent continued to be allocated to localities based on school age population.

Proposal

This bill 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 each year over five years, with the first increase effective beginning July 1, 2013 and ending September 30, 2014. Each increase thereafter would be effective October 1 of each year, with the last increase scheduled to begin October 1, 2017. However, the bill provides that, beginning with the increase effective October 1, 2014, if the general fund revenue forecast for that fiscal year is less than 0.1 percent greater than the general fund revenues collected for the previous fiscal year, the increase would not go into effect for that year. The increases would continue when the general fund revenue forecast for a fiscal year is more than or equal to 0.1 percent greater than the general fund revenues collected for the previous fiscal year. The increases would continue until the amount dedicated to the Transportation Trust Fund equaled the revenue generated by a one percent sales and use tax.

The effective date of this bill is not specified.

Similar Bills

Senate Bill 700 would impose a 5 percent state retail sales and use tax on 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 revenues generated by the retail sales and use tax on certain fuels, \$250 million would be deposited into the Highway Maintenance and Operating Fund each calendar year and the remainder would be deposited into the newly created Highway Construction Projects Trust Fund.

cc : Secretary of Finance

Date: 01/09/2013 AM
DLAS File Name: HB1403F161