

## Department of Planning and Budget 2013 Fiscal Impact Statement

**1. Bill Number:** HB1472

|                        |  |                                     |                                    |
|------------------------|--|-------------------------------------|------------------------------------|
| <b>House of Origin</b> | <input checked="" type="checkbox"/> Introduced | <input type="checkbox"/> Substitute | <input type="checkbox"/> Engrossed |
| <b>Second House</b>    | <input type="checkbox"/> In Committee          | <input type="checkbox"/> Substitute | <input type="checkbox"/> Enrolled  |

**2. Patron:** Watts

**3. Committee:** Finance

**4. Title:** Transportation funding

**5. Summary:** The proposed legislation provides funding to the Northern Virginia Transportation Authority (NVTa). The bill imposes an additional sales and use tax of 0.5 percent in the counties and cities comprising the NVTa. The revenue is to be deposited in the Northern Virginia Transportation Authority Sales and Use Tax Fund. Forty percent of the revenue is to be used for transportation projects in NVTa member localities which have imposed a specified real property tax. The remaining 60 percent is to be used for debt service on bonds, then \$75 million is to be transferred to the Washington Metropolitan Area Transit Authority, \$75 million to the Virginia Railway Express and \$75 million to local transit providers. This funding is to be used for transit projects which benefit the localities imposing the real property tax. The bill also imposes an additional recordation tax in NVTa localities of \$0.40 per \$100 valuation; the revenue is to be transferred to the NVTa. The bill repeals the authority of some localities in Northern Virginia and Hampton Roads to charge a local income tax.

The bill also amends state transportation funding. It imposes a motor fuels sales tax rate of five percent, charged when wholesale distributors sell to retailers. The revenue is to be deposited into subfunds of the Highway Maintenance and Operating Fund. A subfund is to be created for each construction district. The revenue in the subfund is to be only used for highway maintenance projects within the construction district which generated the revenue.

The bill indexes the motor vehicle fuels tax rate to the percentage change in the U.S. Department of Transportation's Transportation Services Index. The bill also indexes the road tax charged to motor carriers. The Commissioner of the Department of Taxation is to begin indexing the fuels tax on January 1, 2014, and each year thereafter.

The bill removes the Transportation Trust Fund's (TTF) share of the state sales tax rate charged on food for human consumption. Currently, a rate of 2.5 percent is charged on food, with 0.5 percent deposited to the TTF.

The bill repeals the June 30, 2018, sunset date from legislation passed in 2009 that temporarily reduced the special real property tax rate on commercial property in Northern

Virginia from \$0.25 per \$100 of assessed value to \$0.125 per \$100 of assessed value. The bill also increases the special real property tax rate on commercial property in Hampton Roads localities from \$0.10 per \$100 of assessed value to \$0.125 per \$100 of assessed value.

- 6. Budget Amendment Necessary:** Yes, revenues on Page 1, Item 273, Item 275, Item 446 and Item 447
- 7. Fiscal Impact Estimates:** Preliminary, from the Department of Taxation. The table in 7b. is in millions.

**7a. Expenditure Impact:**

| <i>Fiscal Year</i> | <i>Dollars</i> | <i>Positions</i> | <i>Fund</i> |
|--------------------|----------------|------------------|-------------|
| 2013               | \$0            | 7                |             |
| 2014               | \$549,000      | 7                | NGF/GF      |
| 2015               | \$603,000      | 7                | NGF/GF      |
| 2016               | \$615,000      | 7                | NGF/GF      |
| 2017               | \$630,000      | 7                | NGF/GF      |
| 2018               | \$646,000      | 7                | NGF/GF      |
| 2019               | \$663,000      | 7                | NGF/GFG     |

**7b. Revenue Impact:**

| Fiscal Year | Index motor fuels tax | 5% Sales tax on motor fuels | Remove sales tax on food | NOVA recordation tax | NOVA sales and use tax |
|-------------|-----------------------|-----------------------------|--------------------------|----------------------|------------------------|
|             | HMOF                  | HMOF                        | TTF                      | NVTA                 | NVTA                   |
| FY2014      | \$7.4                 | \$0.0                       | (\$76.3)                 | \$44.6               | \$0.0                  |
| FY2015      | \$25.2                | \$898.0                     | (\$86.5)                 | \$44.6               | \$158.9                |
| FY2016      | \$41.5                | \$1,011.7                   | (\$89.9)                 | \$44.6               | \$180.2                |
| FY2017      | \$57.2                | \$1,045.1                   | (\$93.4)                 | \$44.6               | \$187.1                |
| FY2018      | \$75.2                | \$1,074.3                   | (\$96.5)                 | \$44.6               | \$193.4                |
| FY2019      | \$75.2                | \$1,074.3                   | (\$99.8)                 | \$44.6               | \$200.0                |

- 8. Fiscal Implications:** The bill would increase expenses by the Department of Taxation to make systems changes to add the auditing and collections staff and to collect the additional taxes in Northern Virginia, as well as the additional motor vehicle fuels taxes. The proposed legislation would authorize the reimbursement of related expense from the motor vehicle fuels tax; however, the expenses related to the increased sales and use tax would impact the general fund.

The additional funding to the HMOF would offset a required transfer from the construction budget. Since Virginia requires the funding of maintenance of existing roads prior to the expenditure of funds for construction projects, construction funding must be annually transferred to provide for Virginia's maintenance needs. In FY2013, this crossover of

construction funding totaled \$363.5 million. Accounting for the elimination of the crossover funding, the proposed legislation provides a net gain to the Transportation Trust Fund.

**9. Specific Agency or Political Subdivisions Affected:** Department of Taxation, Department of Transportation, Northern Virginia Transportation Authority, local governments in the NVT

**10. Technical Amendment Necessary:** The Department of Taxation cannot make the necessary systems changes to collect the additional sales and use tax in Northern Virginia by July 1, 2013. The Department recommends an effective date on those provisions of July 1, 2014.

**11. Other Comments:** None.

**Date:** 1/23/2013 dpb/smc

**Document:** G:\GA\FIS 2013\HB1472.doc