

Department of Planning and Budget 2013 Fiscal Impact Statement

1. Bill Number: HB1677

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

2. Patron: Hugo

3. Committee: Finance

4. Title: Transportation funding.

5. Summary: The proposed legislation adjusts the sources and amounts of funding for transportation. The bill repeals the tax on gasoline and other motor fuels but retains the \$0.175 per gallon tax on diesel fuel and diesel blended fuel. Under current law, fuels subject to the Virginia Fuels Tax Act are exempt from the retail sales and use tax. As the bill exempts gasoline and blended fuels from the fuels tax, such fuel would be subject to the retail sales and use tax.

The bill also increases the retail sales and use tax rate by 0.75 percent and allocates the additional revenue to transportation according to the current formula for motor fuels tax revenue allocation. The additional sales tax is not to apply to food for human consumption. The bill also increases the amount of sales tax revenue deposited to the Transportation Trust Fund (TTF) from 0.5 percent to 1.0 percent. The bill directs that the sales tax directed to the TTF is not to apply to food for human consumption.

6. Budget Amendment Necessary: Yes, revenues on page 1, Item 139, Item 431, Item 441, Item 446 and Item 456.

7. Fiscal Impact Estimates: Preliminary, from the Department of Taxation, in millions:

Fiscal Year	Repeal fuels tax on gasoline	Increase sales tax by 0.75%	Sales tax on gasoline	Increase of TTF sales tax portion by 0.5%	
	HMOF/TTF	HMOF/TTF	GF/TTF/education/local	TTF	GF
FY2014	(\$684.10)	\$664.45	\$714.93	\$489.58	(\$489.58)
FY2015	(\$694.00)	\$753.12	\$814.91	\$508.26	(\$508.26)
FY2016	(\$703.70)	\$783.25	\$835.11	\$528.05	(\$528.05)
FY2017	(\$708.80)	\$813.01	\$853.86	\$547.93	(\$547.93)
FY2018	(\$713.80)	\$840.65	\$867.56	\$566.44	(\$566.44)
FY2019	(\$713.80)	\$869.23	\$867.56	\$580.71	(\$580.71)

- 8. Fiscal Implications:** The bill would eliminate the motor fuels tax on gasoline, making the fuels subject to the retail sales and use tax. The additional sales tax revenue from gasoline would be distributed by existing formulas allocating revenue to the general fund, the TTF, public education and local governments.

All of the additional sales tax revenue generated by the increased 0.75 percent rate is to be distributed in the same manner as the revenue from motor vehicle fuels, with a portion to the Highway Maintenance and Operating Fund (HMOF) and a portion to the TTF.

The 0.5 percent sales tax revenue transferred from the general fund to the TTF would decrease revenue to the general fund. The additional revenue to the TTF would be allocated through existing formulas to the transportation modal agencies.

The proposed bill also eliminates language related to collection of the Virginia Petroleum Storage Tank Fund fee, which is currently assessed at \$.006 per gallon of gasoline, aviation gasoline, diesel fuel, blended fuel and heating oil sold in Virginia. As drafted, this bill would result in a revenue reduction of approximately \$27.5 million in the Virginia Petroleum Storage Tank Fund. The bill does not designate a replacement source of funding.

- 9. Specific Agency or Political Subdivisions Affected:** Department of Transportation, Department of Rail and Public Transportation, Department of Aviation, Virginia Port Authority, Department of Taxation, Department of Motor Vehicles.

- 10. Technical Amendment Necessary:** None.

- 11. Other Comments:** None.

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