

## Department of Planning and Budget 2013 Fiscal Impact Statement

**1. Bill Number:** HB2313 as enacted

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

**2. Patron:** Howell, W.J.

**3. Committee:** Passed both houses, with Governor's amendments in the reconvened session

**4. Title:** Revenues supporting transportation.

**5. Summary:** This impact statement has been revised. The revenue amounts generated in the Hampton Roads region have been amended to reflect the removal of the Counties of Gloucester and Surry. Based on subsequent legal advice, it was determined that the two counties were not subject to the regional taxes and fees implemented by this legislation.

The enacted legislation amends the statewide sources of revenue for transportation and imposes taxes in the Northern Virginia and Hampton Roads regions to fund local and regional transportation projects. The bill also dedicates an additional 0.125 percent of the general fund portion of the state sales and use tax to fund the general fund's share of public education's Standards of Quality.

The bill eliminates the state's 17.5 cents per gallon motor vehicle fuels tax on gasoline and diesel and replaces it with a tax of 3.5 percent on the wholesale price of gasoline and a 6.0 percent tax on the wholesale price of diesel beginning July 1, 2013. The bill contains an enactment clause which directs that if federal legislation authorizing remote sales tax collection has not been passed into law by January 1, 2015, the wholesale tax on gasoline will be increased from 3.5 percent to 5.1 percent.

The bill would provide a refund of the difference between the amount of tax paid for diesel fuel and the amount that would have been paid for gasoline used in operating passenger cars, pickup and panel trucks, and trucks with a gross vehicle weight rating of 10,000 pounds or less. The wholesale price is to be calculated semi-annually by the Commissioner of the Department of Motor Vehicles. The funding generated by the fuels taxes is to be divided among the Highway Maintenance and Operating Fund (HMOF), the Transportation Trust Fund (TTF), the Priority Transportation Fund (PTF), and the Department of Motor Vehicles (DMV). The bill also increases the annual license tax on electric motor vehicles to \$64 from \$50 and applies the tax to hybrid electric vehicles and vehicles using alternative fuel. The additional revenue is deposited to the HMOF.

In addition, the bill transfers a portion of the discretionary general fund share of the existing sales and use tax to the HMOF. The budget includes language transferring the revenue

generated by 0.05 percent to the HMOF in FY2014. The proposed legislation would codify this action and also increase the HMOF's share of the sales and use tax by 0.05 percent in FY2015 and FY2016 and by 0.025 percent in FY2017 for a total increase of 0.175 percent. The bill contains an enactment clause which freezes the amount of general fund sales and use tax being transferred to the HMOF at the FY2015 level if federal legislation authorizing remote sales tax collection has not been passed into law by January 1, 2015.

The bill also increases the sales and use tax by 0.3 percent effective July 1, 2013, and deposits the revenue as follows: 0.175 percent of the revenue to the HMOF, 0.05 percent to the Intercity Passenger Rail Operating and Capital Fund (IPROCF), and 0.075 percent to the Mass Transit Fund (MTF). The increased sales and use tax is not to apply to food purchased for human consumption.

The bill phases in an increase in the motor vehicle sales tax, reaching a total increase of 1.15 percent by FY2017. The tax increases from its current level of 3.0 percent to 4.0 percent beginning July 1, 2013, and to 4.05 percent beginning July 1, 2014. Additional increases of 0.05 percent are applied on July 1, 2015, and July 1, 2016.

An enactment clause dedicates \$100 million of the increased revenues dedicated by the legislation to the HMOF in FY2014, FY2015, and FY2016 to Phase II of the Dulles Corridor Metrorail Extension project, provided the Metropolitan Washington Airports Authority (MWAA) meets specified conditions.

The bill updates the per-lane-mile road maintenance payments made to Arlington and Henrico counties which do not participate in the state secondary system and maintain their own roads.

Further, the bill contains an enactment clause prohibiting the expenditure of revenues to implement tolling on Interstate 95 south of Fredericksburg pursuant to the Interstate Reconstruction and Rehabilitation Pilot Program without prior approval from the General Assembly. An enactment clause also dedicates \$20 million from the TTF to the Route 58 Corridor Development Program beginning in FY2020. Separate legislation passed by the General Assembly this session (HB1953) authorizes an increase in the cap of the bond issuance of the program pursuant to transportation funding legislation being passed during the 2013 session.

The bill also authorizes the Commissioner of the Department of Taxation to take necessary actions to collect sales and use tax revenue from remote sales, following the passage of national legislation. There is legislation currently under consideration in Congress that would grant states the ability to collect sales tax from remote sellers. The bill directs the additional sales and use tax revenue to localities, the Transportation Trust Fund, and public education. The bill requires that 0.5 percent of the local share be designated for transportation needs. The bill repeals the application of local sales and use tax to the sale of certain heating fuels used for home consumption and replaces the revenue with up to \$7.5 million from funding from the remote sales tax collections.

The bill also imposes additional taxes in planning districts that meet specific conditions as to population, registered vehicles and transit ridership. Beginning July 1, 2013, if the planning district currently meets the criteria, an additional state sales tax of 0.7 percent will be applied in the district's member localities. The additional tax will be charged beginning July 1 of any future year following a U.S. census if a district then meets the identified criteria. The tax is not to apply to food for human consumption. Currently, the criteria for the additional sales tax apply to Planning District 8 (Northern Virginia) and Planning District 23 (Hampton Roads) and the sales tax will be imposed in localities in these planning districts on July 1, 2013.

The bill imposes an additional grantor's tax of \$0.15 per \$100 valuation and an additional transient occupancy tax of two percent of the room charge in planning districts that meet specified criteria. Localities in the Northern Virginia planning district will have the taxes imposed on July 1, 2013.

Additionally, the bill imposes an additional sales tax of 2.1 percent on gasoline in planning districts that meet specified conditions. Localities in the Hampton Roads planning district will have the tax imposed on July 1, 2013; the tax is currently charged to localities in Northern Virginia.

The bill creates special funds to receive the revenue generated by the regional taxes and directs the creation of special funds for future planning districts that meet the necessary criteria. The Hampton Roads planning district consists of the counties of Isle of Wight, James City, Southampton, and York and the cities of Chesapeake, Franklin, Hampton, Poquoson, Williamsburg, Newport News, Norfolk, Portsmouth, Suffolk, and Virginia Beach. The Northern Virginia planning district consists of the counties of Arlington, Fairfax, Loudoun and Prince William and the cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park.

**6. Budget Amendment Necessary:** Yes, revenues on page 1 as well as appropriation changes to Item 139, Item 441, Item 442, Item 446, Item 447, and Item 449.

**7. Fiscal Impact Estimates:** Final.

**7a. Expenditure Impact:** From the Department of Taxation:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2013	\$492,088	0	GF
2014	\$1,895,171	0	GF
2015	\$561,180	1	GF
2016	\$587,099	1	GF
2017	\$584,317	1	GF
2018	\$586,317	1	GF
2019	\$588,317	1	GF

**7b. Revenue Impact:** From the Department of Taxation, in millions:

The following table shows the expected revenues if Congress authorizes states to collect sales taxes from remote sellers by July 1, 2014:

	FY2014	FY2015	FY2016	FY2017	FY2018
Total Statewide Transportation	\$406.4	\$622.9	\$722.0	\$807.3	\$842.9

Highway Maintenance and Operating Fund					
Source	FY2014	FY2015	FY2016	FY2017	FY2018
Gasoline tax elimination	(\$735.4)	(\$751.6)	(\$767.5)	(\$781.3)	(\$795.4)
GF retail sales tax to HMOF	\$49.0	\$101.7	\$158.4	\$191.8	\$198.2
0.3 retail sales tax increase	\$155.0	\$175.6	\$182.6	\$189.6	\$196.2
Annual license tax	\$6.5	\$7.3	\$8.3	\$9.6	\$10.9
Wholesale fuels tax	\$501.0	\$578.4	\$599.7	\$622.8	\$643.8
Motor vehicle sales tax	\$184.0	\$213.7	\$228.0	\$246.3	\$246.5
TOTAL	\$160.1	\$325.1	\$409.5	\$478.8	\$500.2

Transportation Trust Fund					
Source	FY2014	FY2015	FY2016	FY2017	FY2018
Gasoline tax elimination	(\$108.5)	(\$110.4)	(\$112.4)	(\$113.7)	(\$115.1)
Wholesale fuels tax	\$93.9	\$108.5	\$112.4	\$116.8	\$120.7
Remote sales tax to TTF	\$145.9	\$165.3	\$171.9	\$178.5	\$184.5
TOTAL	\$131.3	\$163.4	\$171.9	\$181.6	\$190.1

Intercity Passenger Rail Operating and Capital Fund					
Source	FY2014	FY2015	FY2016	FY2017	FY2018
0.3 retail sales tax increase	\$44.3	\$50.2	\$52.2	\$54.2	\$56.0
TOTAL	\$44.3	\$50.2	\$52.2	\$54.2	\$56.0

Mass Transit Fund					
Source	FY2014	FY2015	FY2016	FY2017	FY2018
0.3 retail sales tax increase	\$66.5	\$75.4	\$78.4	\$81.4	\$84.1
TOTAL	\$66.5	\$75.4	\$78.4	\$81.4	\$84.1

Priority Transportation Fund					
Source	FY2014	FY2015	FY2016	FY2017	FY2018
Gasoline tax elimination	(\$20.0)	(\$20.0)	(\$20.0)	(\$20.0)	(\$20.0)
Wholesale fuels tax	\$25.1	\$28.9	\$30.0	\$31.1	\$32.2
TOTAL	\$5.1	\$8.9	\$10.0	\$11.1	\$12.2

Department of Motor Vehicles					
Source	FY2014	FY2015	FY2016	FY2017	FY2018
Gasoline tax elimination	(\$7.2)	(\$7.3)	(\$7.5)	(\$7.6)	(\$7.7)
Wholesale fuels tax	\$6.3	\$7.2	\$7.5	\$7.8	\$8.0
TOTAL	(\$0.9)	(\$0.1)	(\$0.0)	\$0.2	\$0.3

Local and Regional Funding	FY2014	FY2015	FY2016	FY2017	FY2018
Northern Virginia 0.7% local retail sales tax	\$214.1	\$242.6	\$252.3	\$261.9	\$270.8
Northern Virginia grantor's tax	\$33.5	\$33.5	\$33.5	\$33.5	\$33.5
Northern Virginia 2% transient occupancy tax	\$24.9	\$28.2	\$29.1	\$30.1	\$31.2
Northern Virginia 0.7% local retail sales tax on remote sales	\$11.5	\$13.0	\$13.6	\$14.1	\$14.6
<b>Total Northern Virginia Funding</b>	<b>\$284.0</b>	<b>\$317.3</b>	<b>\$328.5</b>	<b>\$339.6</b>	<b>\$350.1</b>
Hampton Roads 0.7% local retail sales tax	\$114.3	\$129.6	\$134.8	\$139.9	\$144.7
Hampton Roads 2.1% fuel sales tax	\$62.1	\$71.4	\$73.8	\$76.3	\$78.4
Hampton Roads 0.7% local retail sales tax on remote sales	\$6.2	\$7.0	\$7.2	\$7.5	\$7.8
<b>Total Hampton Roads Funding</b>	<b>\$182.6</b>	<b>\$208.0</b>	<b>\$215.8</b>	<b>\$223.7</b>	<b>\$230.9</b>
Local transportation distribution from remote sales	\$23.7	\$26.9	\$28.0	\$29.1	\$30.1
Local option distribution from remote sales	\$23.7	\$26.9	\$28.0	\$29.1	\$30.1

If Congress does not adopt the remote sales tax collection legislation by January 1, 2015, the actions identified in the legislation's enactment clause will provide the following estimated revenues:

	FY2014	FY2015	FY2016	FY2017	FY2018
Total Statewide Transportation	\$260.5	\$547.2	\$717.8	\$772.1	\$802.7

Highway Maintenance and Operating Fund					
Source	FY2014	FY2015	FY2016	FY2017	FY2018
Gasoline tax elimination	(\$735.4)	(\$751.6)	(\$767.5)	(\$781.3)	(\$795.4)
GF retail sales tax to HMOF	\$49.0	\$101.7	\$105.6	\$109.6	\$113.3
0.3 retail sales tax increase	\$155.0	\$175.6	\$182.6	\$189.6	\$196.2
Annual license tax	\$6.5	\$7.3	\$8.3	\$9.6	\$10.9
Wholesale fuels tax	\$501.0	\$650.1	\$776.1	\$803.2	\$827.1
Motor vehicle sales tax	\$184.0	\$213.7	\$228.0	\$246.3	\$246.5
TOTAL	\$160.1	\$396.8	\$533.1	\$577.0	\$598.6

Transportation Trust Fund					
Source	FY2014	FY2015	FY2016	FY2017	FY2018
Gasoline tax elimination	(\$108.5)	(\$110.4)	(\$112.4)	(\$113.7)	(\$115.1)
Wholesale fuels tax	\$93.9	\$121.9	\$145.5	\$150.6	\$155.1
TOTAL	(\$14.6)	\$11.5	\$33.1	\$36.9	\$40.0

Intercity Passenger Rail Operating and Capital Fund					
Source	FY2014	FY2015	FY2016	FY2017	FY2018
0.3 retail sales tax increase	\$44.3	\$50.2	\$52.2	\$54.2	\$56.0
TOTAL	\$44.3	\$50.2	\$52.2	\$54.2	\$56.0

Mass Transit Fund					
Source	FY2014	FY2015	FY2016	FY2017	FY2018
0.3 retail sales tax increase	\$66.5	\$75.4	\$78.4	\$81.4	\$84.1
TOTAL	\$66.5	\$75.4	\$78.4	\$81.4	\$84.1

Priority Transportation Fund					
Source	FY2014	FY2015	FY2016	FY2017	FY2018
Gasoline tax elimination	(\$20.0)	(\$20.0)	(\$20.0)	(\$20.0)	(\$20.0)
Wholesale fuels tax	\$25.1	\$32.5	\$38.8	\$40.2	\$41.4
TOTAL	\$5.1	\$12.5	\$18.8	\$20.2	\$21.4

Department of Motor Vehicles					
Source	FY2014	FY2015	FY2016	FY2017	FY2018
Gasoline tax elimination	(\$7.2)	(\$7.3)	(\$7.5)	(\$7.6)	(\$7.7)
Wholesale fuels tax	\$6.3	\$8.1	\$9.7	\$10.0	\$10.3
TOTAL	(\$0.9)	\$0.8	\$2.2	\$2.4	\$2.6

Public Education	FY2014	FY2015	FY2016	FY2017	FY2018
Increase sales tax to state share of SOQ	\$122.1	\$126.8	\$131.8	\$136.8	\$141.5

<b>Regional Funding</b>	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>	<b>FY2018</b>
Northern Virginia 0.7% local retail sales tax	\$214.1	\$242.6	\$252.3	\$261.9	\$270.8
Northern Virginia grantor's tax	\$33.5	\$33.5	\$33.5	\$33.5	\$33.5
Northern Virginia 2% transient occupancy tax	\$24.9	\$28.2	\$29.1	\$30.1	\$31.2
<b>Total Northern Virginia Funding</b>	<b>\$272.5</b>	<b>\$304.3</b>	<b>\$314.9</b>	<b>\$325.5</b>	<b>\$335.5</b>
Hampton Roads 0.7% local retail sales tax	\$114.3	\$129.6	\$134.8	\$139.9	\$144.7
Hampton Roads 2.1% fuel sales tax	\$62.1	\$71.4	\$73.8	\$76.3	\$78.4
<b>Total Hampton Roads Funding</b>	<b>\$176.4</b>	<b>\$201.0</b>	<b>\$208.6</b>	<b>\$216.2</b>	<b>\$223.1</b>

- 8. Fiscal Implications:** The Department of Taxation would incur administrative expenditures to implement the additional local retail sales and use tax, including forms and systems changes, as well as an additional auditor position. Language in the Appropriation Act authorizes the Department of Taxation to recover its costs from collections.

The proposed legislation would generate additional funding for transportation. The additional funding to the HMOF would offset a transfer from the construction budget that is necessary for Virginia to meet its statutory requirement to fund maintenance activities prior to funding construction projects. In FY2013, this crossover amount totaled \$363.5 million. The total amounts for the HMOF shown in the tables above do not reflect the \$100 million payment in FY2014, FY2015, and FY2016 to MWAA.

The legislation dedicates an additional 0.125 cents of the existing sales tax to public education. However, language allows this funding to serve as the state's share of Standards of Quality basic aid payments to localities; therefore, there is no impact on the budget.

The proposed legislation would allow for a refund for the difference in taxes paid on diesel fuel used in specified types of vehicles compared to the amount that would have been paid on gasoline. The bill also allows the sale price of motor vehicles to be lowered by any applicable manufacturer rebates. The revenue impact from the refunds and rebates cannot be determined at this time.

The bill also increases the maintenance payments to the counties of Henrico and Arlington. The additional funding will be provided from the HMOF.

- 9. Specific Agency or Political Subdivisions Affected:** Department of Taxation, Department of Transportation, Department of Rail and Public Transportation, Department of Motor Vehicles, local governments in Northern Virginia and Hampton Roads, Northern Virginia Transportation Authority.

- 10. Technical Amendment Necessary:** None.

**11. Other Comments:** None.

**Date:** 9/19/2013 dpb/smc

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