

Department of Planning and Budget 2013 Fiscal Impact Statement

1. Bill Number: HB2313

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

2. Patron: Howell, W.J.

3. Committee: Finance

4. Title: Revenues supporting transportation.

5. Summary: The proposed legislation amends the sources of revenue for transportation. The bill increases the registration fee for motor vehicles by \$15 and deposits 50 percent of the revenue to the Mass Transit Fund and 50 percent of the revenue to the Intercity Passenger Rail Operating and Capital Fund.

The bill eliminates the state's motor vehicle fuels tax on gasoline and blended fuels. The current tax of 17.5 cents per gallon would remain on diesel fuel. The bill would provide a refund on the tax paid on diesel fuel used in operating passenger cars, pickup and panel trucks, and trucks with a gross vehicle weight rating of 10,000 pounds or less.

In addition, the bill transfers a portion of the discretionary general fund share of the existing sales and use tax to the Highway Maintenance and Operating Fund (HMOF). The Governor's introduced budget includes language transferring the revenue generated by 0.05 percent to the HMOF. The proposed legislation would codify this action and increase the HMOF's share of the sales and use tax by 0.05 percent annually until reaching 0.25 percent in FY2018. An enactment clause dedicates the revenue generated in FY2014, FY2015 and FY2016 to Phase II of the Dulles Corridor Metrorail Extension project, provided the Metropolitan Washington Airports Authority meets specified conditions.

The bill also increases the sales and use tax by 0.8 percent, and deposits 85 percent of the revenue to the HMOF and 9.55 percent to the Transportation Trust Fund (TTF). The bill transfers 0.7 percent to the Department of Motor Vehicles (DMV). The Priority Trust Fund (PTF) is to receive 4.75 percent of the funding. A provision of the bill removes a \$20 million set-aside the fund receives from the motor fuels revenue. The increased sales and use tax is not to apply to food purchased for human consumption.

Further, the bill contains an enactment clause prohibiting the expenditure of revenues to implement tolling on Interstate 95 south of Fredericksburg.

Finally, the bill 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. Several bills are 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 fuels and replaces the revenue with up to \$7.5 million from funding from the remote sales tax collections.

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

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

	FY2014	FY2015	FY2016	FY2017	FY2018
GF sales tax to HMOF	\$49.0	\$101.7	\$158.4	\$219.2	\$283.2
Registration fees	109.4	109.4	109.4	109.4	109.4
Gasoline tax elimination	(684.1)	(694.0)	(703.7)	(708.8)	(713.8)
0.8% sales tax increase	708.7	803.3	835.5	867.2	896.7
TOTAL	\$183.0	\$320.4	\$399.6	\$487.0	\$575.5

Remote sales tax collection

	Share of 5% Sales Tax	FY2014	FY2015	FY2016	FY2017	FY2018
Transportation Trust Fund	2.875%	\$175.7	\$199.1	\$207.0	\$214.8	\$222.2
Local transportation	0.500%	23.7	26.9	28.0	29.1	30.1
Local option replacement	0.500%	23.7	26.9	28.0	29.1	30.1
Public Education	1.125%	53.4	60.5	63.0	65.4	67.6
TOTAL	5.0%	\$276.5	\$313.4	\$326.0	\$338.4	\$350.0

The revenue sources shown above would be allocated among various transportation funds. Funds deposited to the Transportation Trust Fund would be further allocated among modal agencies pursuant to formulas in the Code of Virginia. Tables on the following page detail this allocation:

	FY2014						FY2015					
	HMOF	TTF	IPROCF	MTF	PTF	DMV	HMOF	TTF	IPROCF	MTF	PTF	DMV
GF sales tax to HMOF	\$49.0						\$101.7					
Registration fees			\$54.7	\$54.7					\$54.7	\$54.7		
Gasoline tax elimination	(\$560.5)	(\$97.7)			(\$20.0)	(\$5.9)	(\$568.9)	(\$99.2)			(\$20.0)	(\$5.9)
0.8% sales tax increase	\$569.6	\$100.5			\$33.7	\$5.0	\$645.6	\$113.9			\$38.2	\$5.6
TOTAL	\$58.1	\$2.8	\$54.7	\$54.7	\$13.7	(\$0.9)	\$178.4	\$14.8	\$54.7	\$54.7	\$18.2	(\$0.3)

	FY2016						FY2017					
	HMOF	TTF	IPROCF	MTF	PTF	DMV	HMOF	TTF	IPROCF	MTF	PTF	DMV
GF sales tax to HMOF	\$158.4						\$219.2					
Registration fees			\$54.7	\$54.7					\$54.7	\$54.7		
Gasoline tax elimination	(\$577.1)	(\$100.6)			(\$20.0)	(\$6.0)	(\$581.5)	(\$101.2)			(\$20.0)	(\$6.1)
0.8% sales tax increase	\$671.5	\$118.5			\$39.7	\$5.8	\$696.9	\$123.0			\$41.2	\$6.1
TOTAL	\$252.7	\$18.0	\$54.7	\$54.7	\$19.7	(\$0.2)	\$334.7	\$21.7	\$54.7	\$54.7	\$21.2	(\$0.0)

	FY2018					
	HMOF	TTF	IPROCF	MTF	PTF	DMV
GF sales tax to HMOF	\$283.2					
Registration fees			\$54.7	\$54.7		
Gasoline tax elimination	(\$585.7)	(\$102.0)			(\$20.0)	(\$6.1)
0.8% sales tax increase	\$720.7	\$127.2			\$42.6	\$6.3
TOTAL	\$418.1	\$25.2	\$54.7	\$54.7	\$22.6	\$0.2

- 8. Fiscal Implications:** 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 proposed legislation would allow for a refund for taxes paid on diesel fuel which is used in specified types of vehicles. The revenue impact from the refunds cannot be determined at this time.

An enactment clause dedicates the first \$300 million of the HMOF's share of the existing sales tax to Phase II of the Dulles Corridor Metrorail Extension Project, provided that certain conditions are met. Under current revenue projections, it is estimated that this clause would provide the HMOF's funding to the project until FY2016.

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

10. Technical Amendment Necessary: None.

11. Other Comments: None.

Date: 2/18/2013 dpb/smc

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