

## Department of Planning and Budget 2013 Fiscal Impact Statement

**1. Bill Number:** SB700

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

**2. Patron:** Alexander

**3. Committee:** Finance

**4. Title:** Taxes on fuels; issuance of bonds.

**5. Summary:** This bill makes the retail sale of gasoline, diesel fuel, and other fuels subject to the general five percent retail sales and use tax and reduces the fuels tax on such fuels by \$0.05 per gallon from \$0.175 per gallon to \$0.125 per gallon. Under current law, the sale of fuels is exempt from the general retail sales and use tax, but fuels are subject to a fuels tax imposed at the rate of \$0.175 per gallon. Of the net additional revenues generated each year under the bill, \$250 million would be deposited into the Highway Maintenance and Operating Fund and the remainder would be deposited into the Highway Construction Projects Trust Fund (HCPTF) created under the bill.

In addition, the proposed legislation would authorize the Commonwealth Transportation Board to issue up to \$5 billion in bonds to finance transportation improvements. The bill directs revenues in the HCPTF to finance the cost of debt service. If the funds are insufficient, revenues from the Transportation Trust Fund (TTF) or other available funds are to be used.

**6. Budget Amendment Necessary:** Yes, an adjustment will need to be made to the nongeneral fund revenue estimate on page one of the Governor's introduced budget. Adjustments will also need to be made to Item 446 to reflect the additional construction funding and to Item 447 to reflect the changes in the Highway Maintenance and Operating Fund revenue. In addition, Items 273 and 275 require a general fund adjustment for the Department of Taxation.

**7. Fiscal Impact Estimates:** Preliminary. See Item 8.

**7a. Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2013	\$4,000	-	General fund
2014	\$646,000	6.0	General fund
2015	\$455,000	6.0	General fund
2016	\$467,000	6.0	General fund
2017	\$479,000	6.0	General fund
2018	\$494,000	6.0	General fund
2019	\$508,000	6.0	General fund

**7b. Revenue Impact:** *(in millions)*

<i>Fiscal Year</i>	<i>Highway Maintenance and Operating Fund</i>			<i>Highway Construction Projects Trust Fund*</i>
	<i>Gas Tax Revenue</i>	<i>Retail Sales Tax</i>	<i>Net Impact</i>	
2014	(\$124.7)	\$125.0	\$0.3	\$223.9
2015	(\$254.2)	\$250.0	(\$4.2)	\$628.2
2016	(\$259.2)	\$250.0	(\$9.2)	\$652.5
2017	(\$263.2)	\$250.0	(\$13.2)	\$679.3
2018	(\$267.3)	\$250.0	(\$17.3)	\$701.6

\*Based on November 2012 Commonwealth Transportation Board consumption forecast and the November 2012 EIA Short-term Energy Outlook and July 2012 EIA Long-Term Energy Outlook.

- 8. Fiscal Implications:** Under the International Fuels Tax Agreement (IFTA), interstate carriers are able to receive credit on their tax returns for fuel taxes paid on fuel in excess of the amount that was used in the jurisdiction where it was purchased. A retail sales tax, levied as a percentage of the retail price paid for the fuel, would not be eligible for credit under IFTA. Accordingly, some interstate carriers might choose to purchase fuel, where possible, in jurisdictions where they could obtain full credit for fuel taxes paid. This would have an impact not only on Virginia fuel retailers, but also on the amount of revenue that the Commonwealth raises from sales of fuel. It is anticipated that there will be a one-time information systems cost of \$2,200 for the Department of Motor Vehicles to implement the provisions of this bill. The agency will absorb this cost within existing resources.

The changes to the tax structure for motor fuels will require the Department of Taxation to hire additional staff, including three auditors, two collections employees, and one customer service representative, as well as to address one-time charges relating to necessary systems and form changes. The general fund need noted in Item 7.a. equates to the costs that would be incurred by the Department of Taxation.

The bill directs the HCPTF and the TTF to pay the debt service on the bonds authorized by the bill. By including the Transportation Trust Fund as a source of security for the bond, this debt would be classified as tax-supported debt and would be included as such in the Commonwealth's Debt Capacity Model.

- 9. Specific Agency or Political Subdivisions Affected:** Department of Motor Vehicles, Department of Taxation, Department of the Treasury, any individuals or companies purchasing fuel in the Commonwealth.
- 10. Technical Amendment Necessary:** No.
- 11. Other Comments:** The Department of Taxation's revenue estimates are based on November 2012 Commonwealth Transportation Board consumption forecast. Fuel price projections used in revenue estimates are taken from the November 2012 Energy Information Administration (EIA) Short-Term Energy Outlook and July 2012 EIA Long-Term Energy Outlook. For excise tax collections, it is assumed that there will be 12 months of collections in the first year, despite the effective date of July 1, due to the accelerated collection of motor fuels taxes. In FY 2014, there is a five month effect for the retail sales tax impact.

**Date:** 1/10/13

**Document:** Janet Vogelgesang G:\12-14\2013\FIS\SB700.docx

c: Secretary of Transportation