

Department of Planning and Budget 2014 Fiscal Impact Statement

1. Bill Number: HB40

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

2. Patron: Marshall, R.G.

3. Committee: Finance

4. Title: Motor fuels tax rates; repeals provision that will increase tax, etc.

5. Summary: This bill repeals the provision in the 2013 transportation funding bill (HB 2313) that will increase the motor fuels tax if the United States Congress has not enacted legislation granting the Commonwealth the authority to compel remote sellers to collect state and local retail sales and use tax for sales made in the Commonwealth by January 1, 2015.

6. Budget Amendment Necessary: Yes. The bill will require the Virginia Department of Transportation to revise its revenue estimate and make resulting appropriation reductions throughout its budget.

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

7a. Expenditure Impact: No expenditure impact.

7b. Revenue Impact: If Congress does not act by January 1, 2015, the bill will have the following impact:

<i>Fiscal Year</i>	<i>Total Dollars</i>	<i>HMOF</i>	<i>Transportation Trust Fund</i>
2014	-		-
2015	(\$76,200,000)	(\$64,200,000)	(\$12,000,000)
2016	(\$184,400,000)	(\$155,300,000)	(\$29,100,000)
2017	(\$186,800,000)	(\$157,300,000)	(\$29,500,000)
2018	(\$188,800,000)	(\$159,000,000)	(\$29,800,000)
2019	(\$190,500,000)	(\$160,400,000)	(\$30,100,000)
2020	(\$192,100,000)	(\$161,800,000)	(\$30,300,000)

8. Fiscal Implications: HB 2313, 2013 General Assembly, established procedures for the collection of the state sales and use tax from retail dealers located outside Virginia for sales made into the Commonwealth, contingent upon Congress passing authorizing legislation (currently being proposed under the name "Marketplace Fairness Act" (MFA)). HB 2313 directed the new revenue to localities, the Transportation Trust Fund (TTF), and public education. However, the bill's second enactment clause provided that if the federal government failed to pass such legislation by January 1, 2015, then the fuels tax rate for gasoline would be raised from 3.5 percent to 5.1 percent (the motor fuels tax on diesel fuel would remain at 6 percent, but the diesel fuel refund for passenger cars, pickup or panel trucks, and trucks weighing less than 10,000 pounds would be in an amount equal to a 0.9

percent tax paid). HB 2313 further provided, in its fifteenth enactment clause, that if the federal government passed such legislation after January 1, 2015, the rate of tax on gasoline would revert to 3.5 percent.

The bill repeals both the second and fifteenth enactments of HB 2313. Accordingly, if this bill is enacted and Congress never passes the Marketplace Fairness Act, there will be no increase in the rate of the tax on gasoline to offset the loss of the expected revenue (estimated, at the time HB 2313 was enacted, to be \$165.3 million in FY 2015 and to rise to \$184.5 million by FY 2018). The bill does not propose another measure to make up for the shortfall.

If Congress does pass the MFA by January 1, 2015, this bill would have no fiscal impact. Also, if Congress passed the MFA after January 1, 2015, the fiscal impact would be less than the amounts shown.

The impact of the proposed legislation was estimated by the Department of Taxation to reduce the Highway Maintenance and Operating Fund and Transportation Trust Fund revenues beginning in FY 2015. This drop in revenue results from not having an alternative revenue source if Congress does not pass the Marketplace Fairness Act, which would have authorized Virginia to collect state sales and use tax from retail dealers located outside Virginia for sales made into the Commonwealth. The estimate for revenue loss in FY 2015, prepared by the Department of Taxation, reflects a five-month effect.

9. Specific Agency or Political Subdivisions Affected: Department of Motor Vehicles, Virginia Department of Transportation.

10. Technical Amendment Necessary: No.

11. Other Comments: None.

Date: 1/16/14

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c: Secretary of Transportation