DEPARTMENT OF TAXATION
2015 Fiscal Impact Statement

1. Patron Scott W. Taylor

2. Bill Number HB 1651

House of Origin:
X **Introduced**
_____ **Substitute**
_____ **Engrossed**

Second House:
_____ **In Committee**
_____ **Substitute**
_____ **Enrolled**

3. Committee House Finance

4. Title Tax Credit for Public Access to Natural Gas Fueling Stations

5. Summary/Purpose:

This bill would allow owners of natural gas fueling stations that are built on or after January 1, 2016, and open to the public to claim a credit against the corporate or individual income tax equal to 50 percent of the fuels tax attributable to the volume of natural gas purchased for resale during the taxable year. If the amount of the credit exceeds the taxpayer's tax liability for the taxable year, any unused credit amount could be carried forward to the next year.

The total amount of credits that the Department of Taxation ("the Department") could approve in any given calendar year would be limited to $1 million.

This bill would be effective for taxable years beginning on or after January 1, 2016, but before January 1, 2021.

6. Budget amendment necessary: No.

7. Fiscal Impact Estimates are: Preliminary. (See Line 8).

8. Fiscal implications:

Administrative Costs

The Department of Taxation ("the Department") has not assigned any administrative costs to this bill because the changes required by a single bill such as this can be implemented as part of the annual changes to our systems and forms. As stand-alone legislation, the Department considers implementation of this bill as "routine," and does not require additional funding.

The Department will provide specific administrative costs on any legislation that is not "routine." Additionally, the Department will review all state tax legislation likely to be enacted prior to the passage by each house. If the aggregate number of routine bills likely to pass either house is unusually large, it is possible that additional resources will be required. If so, the Department will identify the costs at that time.

Revenue Impact

This bill would have an unknown, but likely minimal, negative impact on General Fund revenue. This credit could only be claimed by compressed natural gas or liquefied natural gas fueling stations that are built on or after January 1, 2016. Because it is unknown how many new fueling stations would be built, the overall impact is unknown. However, the total negative revenue impact would not exceed the $1 million cap.

In Fiscal Year 2013, both motor fuel and alternative fuels were taxed at a rate of $0.175 per gallon or per gasoline gallon equivalent. During this period, the alternative fuels tax was imposed on approximately 1,159,000 gallons of alternative fuel, generating tax revenue of approximately $200,000. In comparison, the motor fuels tax generated revenue of $834.9 million, meaning alternative fuels accounted for roughly .024 percent of all fuels tax revenue. For the same period, the regional motor fuels sales tax generated revenue of $79.8 million.

If the maximum credit applied to every gallon of alternative fuel subject to the alternative fuels tax in Fiscal Year 2013, the total amount of tax credits issued would have been approximately $100,000. However, the actual impact would likely be less than this amount, due to the fact that existing fueling stations would not qualify for the credit. Additionally, this estimate incorporates the fuels taxes paid on all alternative fuels, not just the amount paid on compressed natural gas and liquefied natural gas.

The actual impact would depend on the number and location of qualifying stations that would be built in the future, as well as the amount of compressed natural gas or liquefied natural gas purchased for resale by such stations.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Virginia Taxes Imposed on Alternative Fuels

The Virginia Fuels Tax Act imposes a tax on alternative fuels and is administered by the Department of Motor Vehicles. Under Virginia law, "alternative fuel" is defined as a combustible gas, liquid, or other energy source that can be used to generate power to operate a highway vehicle and that is neither a motor fuel nor electricity used to recharge an electric vehicle. Accordingly, methanol, hydrogen, compressed natural gas, liquefied natural gas, and liquefied petroleum gas are alternative fuels. The tax rate for all alternative fuels is 5.1 percent of the statewide average wholesale price of a gallon of unleaded gasoline for the applicable base period. Currently, alternative fuels are taxed at a rate of $0.162 per gasoline gallon equivalent.

In addition to the alternative fuels tax, a regional motor fuels sales tax is imposed at the rate of 2.1 percent of the sales price charged by the wholesale distributor to any retail dealer for retail sale in Northern Virginia or the Hampton Roads region.

Virginia's Clean-Fuel Vehicle and Certain Refueling Property Credit

In Virginia, taxpayers may claim a credit against the corporate or individual income tax equal to 10 percent of the deduction allowed under federal law for purchases of clean-fuel vehicles principally garaged in Virginia or certain refueling property placed in service in Virginia.

Proposed Legislation

This bill would allow owners of natural gas fueling stations that are built on or after January 1, 2016, and open to the public to claim a credit against the corporate or individual income tax equal to 50 percent of the fuels tax attributable to the volume of natural gas purchased for resale during the taxable year. If the amount of the credit exceeds the taxpayer's tax liability for the taxable year, any unused credit amount could be carried forward to the next year.

In order to claim the credit, taxpayers would be required to provide the Department with evidence documenting the gallons of natural gas purchased for resale during the taxable year. The total amount of credits that the Department could approve would be limited to $1 million annually. If applications for the tax credits exceeded $1 million for any taxable year, the Department would apportion the credits on a pro rata basis.

This tax credit would be available to owners of qualifying stations in addition to the clean-fuel vehicle and certain refueling property credit.

The Department would be required to develop guidelines for implementing the provisions of this bill. Such guidelines would be exempt from the provisions of the Administrative Process Act.

This bill would be effective for taxable years beginning on or after January 1, 2016, but before January 1, 2021.

Similar Legislation

Senate Bill 949 would provide a refundable tax credit for the annual license tax paid by an owner of a hybrid vehicle between July 1, 2013 and July 1, 2014.

cc : Secretary of Finance

Date: 1/22/2015 AM
DLAS File Name: HB1651F161