

## Department of Planning and Budget 2016 Fiscal Impact Statement

1. **Bill Number:** SB742

**House of Origin**     Introduced     Substitute     Engrossed

**Second House**     In Committee     Substitute     Enrolled

2. **Patron:** Wagner

3. **Committee:** Finance

4. **Title:** Motor vehicle fuels sales tax in certain transportation districts

5. **Summary:** This bill changes the regional gas tax in Hampton Roads to a cents-per-gallon tax that decreases as the price of gas increases. The tax would be imposed on the basis of the price of gas as determined by the Commissioner of the Department of Motor Vehicles using a prescribed formula to calculate the average wholesale price.

6. **Budget Amendment Necessary:** Yes, Item 456. An appropriation adjustment should be reflected in service area 60707, Distribution of Hampton Roads Transportation Fund Revenues.

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

**7b. Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2016	-	-
2017	69,200,000	Hampton Roads
2018	83,100,000	Hampton Roads
2019	84,000,000	Hampton Roads
2020	85,300,000	Hampton Roads
2021	85,900,000	Hampton Roads
2022	86,200,000	Hampton Roads

8. **Fiscal Implications:** The revenue impact estimate for FY 2017 reflects a 10-month effect. The additional funding would be remitted to the regions through the existing process.

The Department of Motor Vehicles (DMV) estimates that it will need to expend \$55,670 in FY 2016 for its vendor to make the systems changes required to implement the provisions of this legislation. The Department estimates that the agency staff hours required for implementation could be accomplished during the normal work schedules for DMV employees, given current workloads.

**9. Specific Agency or Political Subdivisions Affected:** Department of Motor Vehicles; Department of Transportation; localities in the Hampton Roads area where the tax is imposed.

**10. Technical Amendment Necessary:** Yes, consideration may be given to two amendments:

- Under the current 2.1 percent sales tax, it is necessary to specify the sales price on which the tax will be levied when the taxable transaction involves a distributor supplying fuel to its own retail outlets. In such cases no actual “sale” occurs; the law therefore specifies that the “sales price” for purposes of calculating the tax is the cost price of the fuel to the distributor. This problem of determining a sales price is not present when the percentage-of-sales-price tax is replaced with a cents-per-gallon tax. Accordingly, the second sentence on lines 41-43 is unnecessary and should be stricken.
- The wholesale price of fuel specified on line 46 should be \$2.51 through \$3.00, since the previous line specifies the rate that applies when the price is \$2.50 per gallon.

**11. Other Comments:** The bill indicates that beginning July 1, 2016, the tax in Hampton Roads is to be imposed based on an “average wholesale price” of “fuel.” The bill however does not specify whether the average is for Hampton Roads or statewide; whether “wholesale price” has the same meaning here as in § 58.1-2201 of the Virginia Fuels Tax Act (i.e., the price of fuel at the terminal rack) or a different meaning; whether the price is to include or exclude federal and/or state excise taxes; or whether the fuel price in question is for gasoline, diesel fuel, or an average of prices for different fuel types.

**Date:** 1/29/16

**Document:** Janet Vogelgesang G:\16-18\FIS 2016\SB742.docx

c: Secretary of Transportation