

Department of Planning and Budget 2020 Fiscal Impact Statement

1. Bill Number: HB1726

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

2. Patron: Askew

3. Committee: Finance

4. Title: Transportation funding in the Hampton Roads region.

5. Summary: Raises additional revenues for the Hampton Roads Transportation Fund by levying a regional grantors tax and a regional transient occupancy tax, and a tax on transportation network providers of transportation for compensation originating or terminating in a locality in Planning District 23. The bill also increases the existing regional gas tax to 3.1 percent per gallon of gasoline or diesel fuel and indexes the tax rate annually beginning July 1, 2021. The bill establishes a tax on Transportation Network Providers, with allocation of the revenues to transit across the Commonwealth. The bill provides that the new revenues generated shall be used to operate a regional system of inter-jurisdictional, high-frequency bus service in the region.

6. Budget Amendment Necessary: Yes. Item 273 of HB29/SB29 and Item 282 of HB30/SB30 to address the general fund impact to the Department of Taxation. Item 451 of HB30/SB30 to increase the appropriation under the Virginia Department of Transportation for the Hampton Roads Transportation Fund.

7. Fiscal Impact Estimates: Preliminary. See item 8.

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2020	\$510,000	-	General Fund
2021	\$142,000	-	General Fund

7b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2020		
2021	\$76,192,580	Hampton Roads Transportation Fund
2022	\$82,778,640	Hampton Roads Transportation Fund
2023	\$83,477,539	Hampton Roads Transportation Fund
2024	\$86,344,335	Hampton Roads Transportation Fund
2025	\$89,298,326	Hampton Roads Transportation Fund
2026	\$92,329,450	Hampton Roads Transportation Fund

8. Fiscal Implications: The bill provides for the imposition of a recordation tax of \$0.15 per \$100 of value, called the "Regional transportation improvement fee," imposed on real estate sale transactions located in any county or city that is a member of the Hampton Roads Transportation District. The following localities are members of the District: the cities of

Chesapeake, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, and Williamsburg; and, Isle of Wight, James City, and York counties. The revenue generated by the tax would be deposited to the Hampton Roads Transportation Fund. The table below summarizes the annual estimated revenue to the Fund that would be generated by this additional tax.

Fiscal Year	HRTF Recordation Tax Revenue
2021*	\$35,754,960
2022	\$35,879,751
2023	\$35,879,751
2024	\$35,879,751
2025	\$35,879,751
2026	\$35,879,751

* FY 2021 estimate is for 11 months

The bill would impose a one percent additional Transportation District Transient Occupancy Tax (TDTOT) for localities located in the Hampton Roads Transportation District. The revenue from this tax is deposited to the Hampton Roads Transportation Fund. The table below provides revenue estimates from the Department of Taxation by locality in the District.

Estimated Annual Transportation District Transient Occupancy Tax Revenue						
Locality	FY 2021*	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Chesapeake	\$706,784	\$804,091	\$840,317	\$880,039	\$921,458	\$962,003
Hampton	\$496,658	\$565,036	\$590,492	\$618,405	\$647,510	\$676,001
Isle of Wight	\$14,398	\$16,381	\$17,119	\$17,928	\$18,772	\$19,598
James City	\$568,388	\$646,641	\$675,774	\$707,718	\$741,027	\$773,632
Newport News	\$469,774	\$534,451	\$558,529	\$584,931	\$612,460	\$639,409
Norfolk	\$1,076,374	\$1,224,565	\$1,279,735	\$1,340,228	\$1,403,306	\$1,465,052
Poquoson	\$0	\$0	\$0	\$0	\$0	\$0
Portsmouth	\$90,817	\$103,321	\$107,976	\$113,080	\$118,402	\$123,612
Suffolk	\$225,259	\$256,272	\$267,817	\$280,477	\$293,678	\$306,600
Virginia Beach	\$3,085,672	\$3,510,494	\$3,668,651	\$3,842,068	\$4,022,896	\$4,199,906
Virginia Beach - Sandbridge District	\$576,535	\$655,910	\$685,460	\$717,862	\$751,648	\$784,721
Williamsburg	\$903,533	\$1,027,928	\$1,074,239	\$1,125,018	\$1,177,968	\$1,229,799
York	\$681,607	\$775,448	\$810,384	\$848,691	\$888,635	\$927,735
Total	\$8,895,800	\$10,120,537	\$10,576,494	\$11,076,445	\$11,597,759	\$12,108,067

* FY 2021 estimate is for 11 months

The bill increases the existing regional gas tax in Hampton Roads from 2.1 percent to 3.1 percent per gallon of gasoline or diesel fuel and indexes the tax rate annually to the United States Average Consumer Price Index for all items, all urban consumers (CPI-U) beginning July 1, 2021. The revenue from this increase also would be deposited to the Hampton Roads Transportation Fund. The table below summarizes the revenue estimates from the Department of Taxation for the gas tax increases proposed by the bill.

Fiscal Year	Regional Gas Tax Revenue
2021*	\$31,541,821
2022	\$36,778,351
2023	\$37,021,293
2024	\$39,388,139
2025	\$41,820,815
2026	\$44,341,631

* FY 2021 estimate is for 11 months

The following table summarizes the total revenue estimates for the Hampton Roads Transportation Fund from the recordation tax, transient occupancy tax, and gas tax proposed by this legislation.

	2021*	2022	2023	2024	2025	2026
Recordation Tax	\$35,754,960	\$35,879,751	\$35,879,751	\$35,879,751	\$35,879,751	\$35,879,751
Transient Occupancy Tax	\$8,895,800	\$10,120,537	\$10,576,494	\$11,076,445	\$11,597,759	\$12,108,067
Motor Fuels Tax	\$31,541,821	\$36,778,351	\$37,021,293	\$39,388,139	\$41,820,815	\$44,341,631
Total HRTF	\$76,192,580	\$82,778,640	\$83,477,539	\$86,344,335	\$89,298,326	\$92,329,450

* FY 2021 estimate is for 11 months

The bill adds transit facilities and projects to the type of projects which can be funded by the Hampton Roads Transportation Fund.

The bill also proposes the creation of a transportation network company (TNC) tax. A TNC is a company that provides prearranged rides using a digital platform that connects passengers with TNC partners. The bill would impose a tax of six percent of gross proceeds on fares generated by partners on behalf of the TNC. The bill provides that revenue from this tax would be allocated based on the location of origin for each trip. For trips originating in a county or city in the Hampton Roads Transportation District, the revenue would be deposited to the Hampton Roads Transportation Fund. For trips originating in a county or city that is a member of the Northern Virginia Transportation Commission, the revenue shall be deposited into the Northern Virginia Transportation District Fund. For all other trips, the revenue would be deposited to the Commonwealth Mass Transit Fund. At this time, the amount of revenue to be generated by this tax is unknown and the impact to the Hampton Roads

Transportation Fund, the Northern Virginia Transportation District Fund, and the Commonwealth Mass Transit Fund is indeterminate.

The Department of Taxation estimates that this bill would result in additional administrative costs of \$510,000 in FY 2020, \$142,000 in FY 2021, and routine costs thereafter in order to develop forms and implement systems changes. An additional general fund appropriation is needed to address this impact to the Department.

9. Specific Agency or Political Subdivisions Affected: Department of Taxation; Virginia Department of Transportation; Department of Rail and Public Transportation.

10. Technical Amendment Necessary: Yes. Line 217, strike “§ 33.2-2401” and insert “§ 33.2-2400”.

§ 33.2-2401, Code of Virginia, establishes the Northern Virginia Transportation District Program. § 33.2-2400, Code of Virginia, establishes the Northern Virginia Transportation District Fund.

11. Other Comments: None.