

Department of Planning and Budget 2019 Fiscal Impact Statement

1. Bill Number: HB729

House of Origin	<input checked="" type="checkbox"/>	Introduced	<input type="checkbox"/>	Substitute	<input type="checkbox"/>	Engrossed
Second House	<input type="checkbox"/>	In Committee	<input type="checkbox"/>	Substitute	<input type="checkbox"/>	Enrolled

2. Patron: Watts

3. Committee: Finance

4. Title: Transit funding.

5. Summary: Raises the existing regional transportation fee, a grantor's tax, from \$0.15 per \$100 to \$0.20 per \$100 for localities in the Northern Virginia Transportation Authority that are also members of the Northern Virginia Transportation District. The bill requires half of the revenues to be deposited in the Northern Virginia Transportation Authority Fund and half to be deposited in the Washington Metropolitan Area Transit Authority (WMATA) Capital Fund. The rate of tax in the other localities will remain at \$0.15 per \$100, with one-third of the revenues to be retained by the locality to be used for transportation purposes and the other two-thirds to be deposited in the Northern Virginia Transportation District Fund. The bill also raises the existing transient occupancy tax in the localities located in the Northern Virginia Transportation District from \$2 to \$3, with all of the revenues from the tax being used to support WMATA.

6. Budget Amendment Necessary: No.

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

8. Fiscal Implications: Currently, there is a recordation tax of \$0.15 per \$100 of value, called the “regional WMATA capital fee,” imposed on real estate sale transactions located in any county or city that is a member of the Northern Virginia Transportation Authority (NVTa). For localities located in the Northern Virginia Transportation District, the revenue from such fee is deposited to the Commonwealth’s Washington Metropolitan Area Transit Authority (WMATA) Capital Fund. For localities that are not within the Northern Virginia Transportation District, the revenues remain with the locality and must be used solely for transportation purposes. Currently, the only localities which are in the Northern Virginia Transportation District but are not members of the NVTa are Prince William County and the cities of Manassas and Manassas Park.

The bill proposes to increase this fee, renamed the “regional and local transportation fee,” for localities that are within Planning District 8 and are members of the Northern Virginia Transportation Commission (NVTC) to \$0.20 per \$100 of value. The revenue from these localities would be allocated as follows: half to the NVTa Fund and half to the WMATA Capital Fund. For localities that are within Planning District 8 but are not members of the Northern Virginia Transportation Commission, the tax rate would remain as it is currently

(\$0.15 per \$100 of value). However, the revenues would be allocated as follows: one-third would remain with the locality and used for transportation and two-thirds would be allocated to the NVTa Fund.

As a result of the provisions of the bill, it is estimated that \$124.3 million in FY 2021 and \$135.6 million in FY 2022 in additional revenues would be allocated to the NVTa Fund. At the same time, \$57.2 million in less revenue would be allocated to the WMATA Capital Fund in both FY 2021 and FY 2022. The table below details estimates from the Department of Taxation on the impact of these changes to the recordation taxes.

Table 1: Impact on NVTa Fund and WMATA Capital Fund from recordation changes

NVTC	Fiscal Year 2021			Fiscal Year 2022*	
	NVTa Fund	WMATA Capital Fund		NVTa Fund	WMATA Capital Fund
Alexandria	\$10,331,861	(\$5,635,560)		\$11,271,121	(\$5,635,560)
Arlington	\$13,145,296	(\$7,170,161)		\$14,340,323	(\$7,170,161)
Fairfax City	\$1,078,617	(\$588,337)		\$1,176,673	(\$588,337)
Fairfax County	\$53,586,597	(\$29,229,053)		\$58,458,106	(\$29,229,053)
Falls Church	\$894,095	(\$487,688)		\$975,377	(\$487,688)
Loudoun	\$25,904,276	(\$14,129,605)		\$28,259,210	(\$14,129,605)
Not NVTC					
Manassas	\$1,688,394	-		\$1,841,884	-
Manassas Park	\$499,162	-		\$544,541	-
Prince William	\$17,194,738	-		\$18,757,896	-
Total	\$124,323,036	(\$57,240,404)		\$135,625,131	(\$57,240,404)

*FY2022 estimates can be used for future years

Local revenues for Prince William County and the cities of Manassas and Manassas Park would be directly impacted by this bill. The bill would maintain the current recordation tax rate for the three localities. Whereas each of these localities currently is able to retain recordation revenues for use on transportation, the bill would direct two-thirds of such revenue going forward to the NVTa Fund. The Department of Taxation estimates that the bill would have a negative revenue impact to these localities of approximately \$21.1 million annually (see Table 2 for details).

Table 2: Impact on locality revenue from recordation changes

	FY 2021	FY 2022*
Manassas	(\$1,841,884)	(\$1,841,884)
Manassas Park	(\$544,541)	(\$544,541)
Prince William	(\$18,757,896)	(\$18,757,896)
Total	(\$21,144,321)	(\$21,144,321)

*FY2022 estimates can be used for future years

There is currently a two percent additional Transportation District Transient Occupancy Tax (TDTOT) for localities located in the Northern Virginia Transportation District. The revenue from this tax is deposited to the WMATA Capital Fund. This bill would increase the TDTOT to three percent. The Department of Taxation estimates that the proposed increase would generate an additional \$13.9 million in revenue for the WMATA Capital Fund in FY 2021 and \$15.9 million in FY 2022. Table 3, below, includes further information on the revenue generated by county for the upcoming fiscal years.

Table 3: Impact on WMATA Capital Fund Revenue of proposed increase to TDTOT

Locality	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Alexandria	\$1,937,369	\$2,204,098	\$2,303,399	\$2,412,280	\$2,525,815	\$2,636,952
Fairfax City	\$162,416	\$184,776	\$193,101	\$202,229	\$211,747	\$221,064
Falls Church	\$76,829	\$87,407	\$91,345	\$95,663	\$100,165	\$104,572
Arlington	\$4,849,702	\$5,517,390	\$5,765,963	\$6,038,519	\$6,322,723	\$6,600,927
Fairfax County	\$5,576,111	\$6,343,807	\$6,629,612	\$6,942,994	\$7,269,767	\$7,589,641
Loudoun	\$1,338,450	\$1,522,722	\$1,591,325	\$1,666,547	\$1,744,983	\$1,821,763
Total WMATA Capital Fund	\$13,940,877	\$15,860,200	\$16,574,745	\$17,358,232	\$18,175,200	\$18,974,919

The changes proposed by this bill, as detailed above, are summarized below in Table 4. The WMATA Capital Fund is expected to experience a net negative revenue impact of approximately \$43.31 million in FY 2021 and \$41.4 million in FY 2022. This bill, though, is anticipated to have a total positive revenue impact of approximately \$59.9 million in FY 2021 and \$73.1 million in FY 2022, accounting for the negative revenue impact to local budgets.

Table 4: Total Revenue Impact

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Net impact to local revenue	(\$21,144,320)	(\$21,144,320)	(\$21,144,320)	(\$21,144,320)	(\$21,144,320)	(\$21,144,320)
Net impact to NVTAFund	\$124,323,036	\$135,625,130	\$135,625,130	\$135,625,130	\$135,625,130	\$135,625,130
Net impact to WMATA Capital Fund	(\$43,299,528)	(\$41,380,205)	(\$40,665,661)	(\$39,882,173)	(\$39,065,205)	(\$38,265,486)
Net Impact to All Revenues	\$59,879,188	\$73,100,605	\$73,815,149	\$74,598,637	\$75,415,605	\$76,215,324

9. Specific Agency or Political Subdivisions Affected: Northern Virginia Transportation Authority, Planning District 8, Northern Virginia Transportation Commission, Northern Virginia localities.

10. Technical Amendment Necessary: No.

11. Other Comments: This bill is identical to SB 899. Additionally, the omnibus transportation legislation (HB1414 and SB890) also have provisions regarding the amount of the regional transportation fee and raising the existing transient occupancy tax in northern Virginia.