

Department of Planning and Budget 2019 Fiscal Impact Statement

1. **Bill Number:** HB729

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

2. **Patron:** Watts

3. **Committee:** Finance and Appropriations

4. **Title:** Transit funding.

5. **Summary:** Proposes a reduction in the regional Washington Metropolitan Area Transit Authority (WMATA) capital fee, a grantor's tax, from \$0.15 per \$100 of value to \$0.10 per \$100 of value. Proposes an additional grantor's tax of \$0.10 per \$100 of value, called the regional congestion relief fee, to be imposed on real estate sale transactions located in any county or city in Planning District 8. Revenue from the regional congestion relief fee would be deposited to the Northern Virginia Transportation Authority (NVTA) Fund. The bill also raises the existing transportation district transient occupancy tax and the local transportation transient occupancy tax in the localities in northern Virginia from two percent to three percent.

6. **Budget Amendment Necessary:** No.

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

8. **Fiscal Implications:**

Regional transportation improvement fee

Currently, there is a grantor's 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 that are not in the Northern Virginia Transportation District but are members of the NVTA are Prince William County and the cities of Manassas and Manassas Park.

The bill proposes to decrease this fee from \$0.15 per \$100 of value to \$0.10 per \$100 of value. Based on estimates from the Department of Taxation, the reduction in this fee would decrease total revenues by \$17.8 million annually, of which: WMATA Capital Fund revenues would decrease by \$15.2 million; and, local revenues would decrease by \$2.6 million.

Regional congestion relief fee

The bill proposes an additional grantor’s tax of \$0.10 per \$100 of value, called the regional congestion relief fee, to be imposed on real estate sale transactions located in any county or city that is a member of a planning district of a certain population and with a certain amount of transit ridership. Currently, the only planning district that would meet the criteria of the bill is Planning District 8, which includes Loudoun, Prince William, Fairfax, and Arlington counties and the cities of Alexandria, Manassas, and Manassas Park.

Revenues from the regional congestion relief fee from localities in Planning District 8 would be deposited in the Northern Virginia Transportation Authority (NVTA) Fund. It is estimated that revenue into the NVTA Fund would equal \$35.6 million annually.

If other planning districts meet the criteria of the bill, additional legislation would be needed to direct the deposit of revenue collected.

Net impact to local revenues from grantor’s tax changes

Current statute provides that 30 percent of the revenue to the NVTA Fund is to be distributed back to localities on a pro rata basis of taxes and fees collected for various transportation improvements. As a result, it is estimated that the decrease in revenues to localities impacted by the decrease in the regional transportation improvement fee, Prince William County and the cities of Manassas and Manassas Park, would be partially offset by the regional congestion relief fee revenue allocated to the NVTA Fund. The table below summarizes the estimated annual net impact to local revenues by locality.

Annual net impact of grantor’s tax changes to local revenues by locality

	Local impact from regional transportation improvement fee	Distribution of net new NVTA Fund revenues	Net impact to local revenue
Prince William	(\$2,372,251)	\$1,423,350	(\$948,900)
Manassas	(\$142,912)	\$85,747	(\$57,165)
Manassas Park	(\$73,038)	\$43,823	(\$29,215)
Total	(\$2,588,200)	\$1,552,920	(\$1,035,280)

Transportation District Transient Occupancy Tax increase

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. Estimated revenue generated by the proposed increase is noted in the table below.

Impact on WMATA Capital Fund revenue of proposed increase to TDTOT

Fiscal Year	TDTOT Revenue Increase
2021	\$15,100,811
2022	\$15,402,827
2023	\$15,710,884

2024	\$16,025,101
2025	\$16,345,603
2026	\$16,672,516

Local Transient Occupancy Tax increase

The bill also increases the transient occupancy tax for localities that are members of the Northern Virginia Transportation Authority but not members of the Northern Virginia Transportation District. The localities that meet that criteria are Prince William County and the cities of Manassas and Manassas Park. The tax would be raised from two percent to three percent. The revenue collected is administered by the locality in which it was generated. Whereas currently the revenue can only be used for public transportation purposes, the bill would require two-thirds to be used for public transportation with the remaining one-third to be used for any transportation purpose. There is no state fiscal impact associated with this increase.

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

10. Technical Amendment Necessary: No.

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