

Department of Planning and Budget 2022 Fiscal Impact Statement

1. **Bill Number:** SB541

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

2. **Patron:** Peake

3. **Committee:** Finance and Appropriations

4. **Title:** Rate of tax on gasoline and diesel fuel.

5. **Summary:** Lowers the rate of tax on gasoline and diesel fuel on July 1, 2022, from 26.2 cents per gallon to 21.2 cents per gallon on gasoline and from 27 cents per gallon to 20.2 cents per gallon on diesel fuel, the rates that were in effect before July 1, 2021. The bill provides that the rate of tax on gasoline and diesel fuel will return to 26.2 and 27 cents per gallon, respectively, on July 1, 2023, and will be indexed based on the change in the United States Average Consumer Price Index; thereafter, the rate will be indexed annually.

6. **Budget Amendment Necessary:** Budget amendments may be necessary to reflect the loss of revenues to all transportation agencies.

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

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2023	-\$275,500,000	Commonwealth Transportation Fund
2024	-\$74,000,000	Commonwealth Transportation Fund
2025	-\$24,200,000	Commonwealth Transportation Fund
2026	-\$25,500,000	Commonwealth Transportation Fund
2027	-\$25,100,000	Commonwealth Transportation Fund
2028	-\$25,800,000	Commonwealth Transportation Fund

7b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2023	-\$275,500,000	Commonwealth Transportation Fund
2024	-\$74,000,000	Commonwealth Transportation Fund
2025	-\$24,200,000	Commonwealth Transportation Fund
2026	-\$25,500,000	Commonwealth Transportation Fund
2027	-\$25,100,000	Commonwealth Transportation Fund
2028	-\$25,800,000	Commonwealth Transportation Fund

8. **Fiscal Implications:** This bill would result in a loss of transportation revenue by lowering the tax rate on both gasoline and diesel fuel. Based on estimates from the Department of Taxation, it is anticipated that this legislation would result in a decrease in fuel tax revenue of \$275.5 million in FY 2023 and \$74.0 million in FY 2024. The primary impact of this

legislation would be the reduction in the gas and diesel tax rates in FY2023 and FY2024. However, a smaller impact persists in future fiscal years from the assumed inflationary increases beginning from a lower base. The table below summarizes the currently assumed rates for gasoline and diesel fuel taxes as well as tax rates proposed by this legislation for FY2023 and projections for FY2024 and beyond, which factor in estimates from the Department of Taxation of the United States Average Consumer Price Index (CPI).

	Gas Tax Rate		Diesel Tax Rate	
	Current (\$/gallon)	Proposed (\$/gallon)	Current (\$/gallon)	Proposed (\$/gallon)
FY2023	0.273	0.212	0.281	0.202
FY2024	0.277	0.273	0.286	0.281
FY2025	0.283	0.278	0.292	0.287
FY2026	0.289	0.285	0.298	0.293
FY2027	0.296	0.291	0.305	0.3
FY2028	0.303	0.298	0.312	0.307

Revenues collected from gasoline and diesel fuel taxes are deposited to the Commonwealth Transportation Fund (CTF) which is distributed to the Highway Maintenance Operating Fund (HMOF) and the Transportation Trust Fund (TTF). The table below shows the estimated impact of this bill to the HMOF and TTF. The TTF is then further distributed to subfunds and programs across transportation entities in the Commonwealth, including the Virginia Department of Transportation, Department of Rail and Public Transportation, Virginia Port Authority, Virginia Department of Aviation, Virginia Passenger Rail Authority, Virginia Commercial Space Flight Authority, and the Department of Motor Vehicles, based on distribution formulas set out in the Code of Virginia. Any loss of revenue to transportation funding may impact previously planned and programmed transportation projects and may impact funds used to support debt service on bonds previously issued.

	FY2023	FY2024	FY2025	FY2026	FY2027
Highway Maintenance and Operating Fund	-\$140,505,000	-\$37,740,000	-\$12,342,000	-\$13,005,000	-\$12,801,000
Transportation Trust Fund	-\$134,995,000	-\$36,260,000	-\$11,858,000	-\$12,495,000	-\$12,299,000
Net Impact to CTF	-\$275,500,000	-\$74,000,000	-\$24,200,000	-\$25,500,000	-\$25,100,000

9. Specific Agency or Political Subdivisions Affected: Department of Motor Vehicles, Virginia Department of Transportation, Department of Rail and Public Transportation, Virginia Port Authority, Virginia Department of Aviation., Virginia Passenger Rail Authority, Virginia Commercial Space Flight Authority.

10. Technical Amendment Necessary: No.

11. Other Comments: This bill is identical to HB1144.