



NVTC MOTOR FUELS TAX

FACT SHEET

--February, 2005--

- 1) Senate Bill 1099 in the 2005 General Assembly session, patroned by Senator Mary Margaret Whipple, would increase NVTC's existing two percent tax on motor fuels to four percent. NVTC enthusiastically supports this bill. It passed the Senate on February 7th by a vote of 28 to 10. The same bill (SB458) passed the Senate in 2004 but was not enacted in the House of Delegates.
- 2) The existing two percent tax was enacted by the 1980 General Assembly to be a source of stable and reliable funding for WMATA (Section 58.1-1720 et seq. of the Virginia Code). In five of NVTC's jurisdictions (Arlington and Fairfax counties and the cities of Alexandria, Fairfax, and Falls Church) it is dedicated to WMATA and cannot be diverted to other uses. In Loudoun County, the proceeds are available for any transportation projects included in the county's transportation plan.
- 3) The tax yield was \$21.7 million in FY 2004 and is estimated at \$24 million for FY 2005. SB 1099 should double the yield and could generate an additional \$25 million annually in FY 2006 and beyond.
- 4) The existing tax is collected by the Virginia Department of Taxation from retail station owners, based on two percent of the pump price. The department's expenses are deducted before the proceeds are sent to NVTC. NVTC works with the department's auditors to facilitate full and accurate reporting by station owners.
- 5) NVTC holds the funds in trust based on point of sale for its jurisdictions to spend on bills from WMATA (although Loudoun County can spend its portion for any transportation purpose). The funds cannot be diverted to a non-transportation use or to another region.
- 6) For FY 2004, an average of over 425,000 rides were taken on transit in Northern Virginia each weekday. Transit demand is strong and growing, despite crowding and significant fare increases and the risk of deteriorating facilities.
- 7) The Blue Ribbon Panel on Dedicated Sources of Funding for WMATA has completed its report and identified funding shortfalls for WMATA totaling \$2.4 billion through 2015 while assuming rapidly growing local contributions and fare increases. NVTC's existing two percent motor fuels



tax is the only current dedicated source of funding for WMATA, covering less than two percent of its current needs.

- 8) Other Northern Virginia transit systems also have immediate unfunded needs, including Alexandria DASH (\$29 million for a new bus garage) and Virginia Railway Express (\$7 million for mid-day storage, \$100 million for 50 new railcars, \$20.5 million for locomotives, \$9 million for the Burke Center parking deck and \$20 million for platform extensions).
- 9) MWCOG/TPB has estimated Northern Virginia's total unfunded transit capital needs at \$438 million annually.
- 10) State statutes (Section 58.1-638 A.4.b) specify a 95 percent target for the commonwealth to cover net transit operating losses and capital needs. In fact, the state now covers only 48 percent of eligible operating costs and 38 percent of capital shortfalls. NVTC alone was shortchanged by \$100 million in FY 2005.
- 11) Existing statutory language allows jurisdictions contiguous to NVTC to collect a two percent motor fuels tax upon creating a new transportation district or joining NVTC. SB 1099 does not change this existing statutory language.
- 12) Existing statutes also provided for a reduction in property taxes in the first year in which the original two percent motor fuels tax was enacted by the 1980 General Assembly. SB 1099 does not change this existing statutory language (it would not apply to the additional two percent increase).
- 13) Arguments by motor fuel retailers that the tax increase would place Northern Virginia retailers at a competitive disadvantage are not supported by the facts. District of Columbia gas stations now have a 2.5-cents per gallon higher "state" tax, while Maryland levies a 6-cents per gallon higher state gas tax. Gas stations within the NVTC district (and in the neighboring PRTC district that also levies the two percent tax) have not demonstrated any competitive consequences from the existing two percent tax. Scary scenarios put forward by the motor fuels industry in which Northern Virginia gasoline prices zoom to over \$3 per gallon while neighboring areas remain lower priced are simply not realistic. Gas prices have not kept pace with inflation over the past several decades and even the recent spike in prices cannot be shown to have deterred drivers.
- 14) NVTC jurisdictions lead the commonwealth in local level of effort. DRPT's most recent estimate shows that NVTC's jurisdictions paid \$126 per capita per year for transit from local funds (primarily property taxes). The next highest jurisdiction paid only \$30. In FY 2004, Northern Virginia jurisdictions paid almost \$80 million for transit from local funds, with another \$144 million paid by primarily local residents in fares. The existing two percent gas tax yielded about \$22 million. In total, residents of Northern Virginia paid about \$245 million from these local sources for Northern Virginia transit. The commonwealth paid only about \$96 million.

- 15) Transit services in Northern Virginia are in demand and producing positive benefits. Local governments are required to incur greater expenses each year to meet some of the demand for growth. Although all transit systems are trimming less productive routes and raising fares substantially, local governments still must increase the amount of local funds used to support transit, and without the proposed NVTC gas tax increase, the source of these additional funds must be local property taxes. In that sense, SB 1099 does provide local property tax relief.
- 16) Why should automobile drivers be asked to help pay for transit through an increased motor fuels tax? In essence, drivers gain enormous benefits from transit whether or not they ever use transit themselves. The Texas Transportation Institute reported that transit reduces congestion in the Washington D.C. metropolitan area by a third for annual savings to drivers of \$1 billion in reduced travel time and fuel congestion. Air quality gains are an additional benefit. Transit has significant shares of persons traveling during peak periods in all of Northern Virginia's major commuting corridors (e.g. almost two-thirds in the I-66 corridor inside the Beltway), leaving more space on the highways for those who choose to continue to drive.
- 17) Why should legislators from around the commonwealth support SB 1099? Because their constituents gain through enhanced state revenues. NVTC's study by KPMG Peat Marwick revealed that each state dollar invested in Metrorail will return almost 20 percent annually through sales and income taxes paid by new employees and generated by new hotels and other commercial activity attracted to Metrorail station areas.