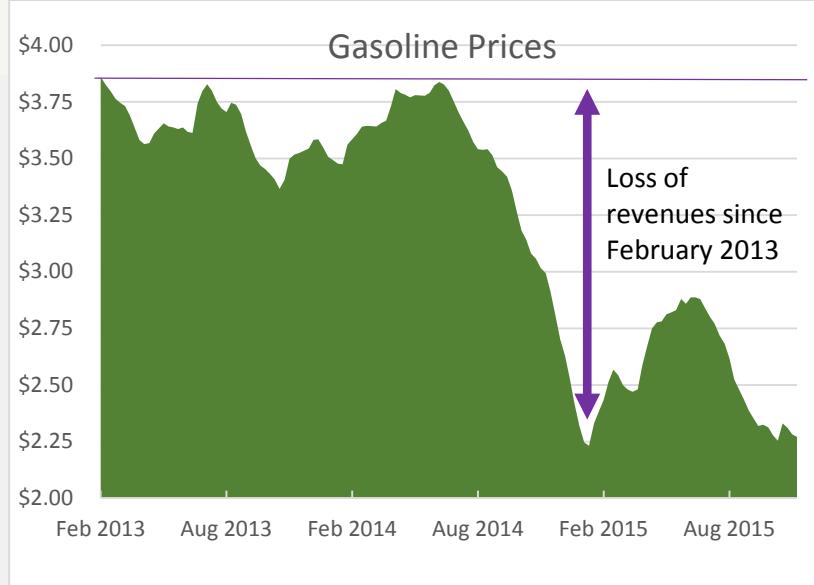


Fuels Tax Floor Would Stabilize Regional Transit Funding

Where Things Stand

Since 2013, NVTC has experienced as much as a 40 percent decrease in monthly motor fuels tax collections – funding that is used to support capital and operating expenses for transit that serves Fairfax, Arlington and Loudoun counties and the cities of Alexandria, Fairfax and Falls Church. Because the tax is based on the sales price of fuel, the tax fluctuates with the change in the price of fuel. The State gas tax has protections to keep a minimum level of revenue; however, the regional gas tax does not.



What is the Regional Motor Fuels Tax?

The Motor Vehicle Fuels sales tax is levied at the rate of 2.1 percent on fuels sold/delivered in bulk in the Northern Virginia area. The tax is imposed on the sales price of fuel to retail dealers, and includes other state and federal taxes in the base. The tax is collected by the Commonwealth of Virginia, and remitted to NVTC where it is held in trust for its member jurisdictions' restricted use. The NVTC WMATA compact members, which include the Fairfax and Arlington counties and the cities of Alexandria, Fairfax and Falls Church, are required to use the tax for Metro subsidies. Loudoun County may use the tax for any transportation purpose.

The Regional Motor Fuels sales tax was first levied in 1981 at the rate of 2 percent of retail sales. Effective January 1, 2010, the tax was changed to a 2.1 percent tax on a wholesale basis (Virginia Code Section 58.1-2291). The increase in the rate was to account for the loss of dealer profit that was part of the two percent tax base when it was a retail tax.

Why have revenues fallen 40 percent?

Because the tax is based on the sales price of fuel, the tax fluctuates with the change in the price of fuel. Recently, gas tax collections have decreased by as much as 40% in some months compared to 2013, with similar decreases experienced by our partner transportation district, the Potomac and Rappahannock Transportation Commission (PRTC). While HB2313 created a floor for the statewide gas tax, a floor was not established for the regional gas tax.

What would happen if the floor was restored?

In 2013, legislation was passed that put a minimum threshold of revenues from the State gas tax – to a level no less than the revenue that was available at the time of the law's passage - effectively protecting the amount of revenue available at the State level. During calendar year 2015 alone, NVTC lost \$13.2 million in revenue because the regional tax lacks the same protection as the statewide tax.