

Response to Questions on the FY 2014 Budget

Request By: Supervisor McKay

Question: Identify the tax increases included in the transportation bill passed by the General Assembly. Identify the impact of these increased taxes on the “average” resident and business.

Response: In Northern Virginia, the transportation bill will increase the Grantor’s Tax, the Sales Tax and the Transient Occupancy Tax.

- The Grantor’s Tax is currently \$0.10 per \$100 of assessed value with half going to the state and half to the locality. The Grantor’s Tax is paid by the seller of a property and does not apply to mortgage refinancings. Under the new transportation bill, the Grantor’s Tax in Northern Virginia will be an additional \$0.25 per \$100 of assessed value. At the average 2012 home sales price of \$492,480 in Fairfax County, the seller of the home would pay an additional \$1,231 in taxes. The tax increase will also apply to sales of commercial buildings; however commercial buildings are unique and no “average” building sale value is available.
- Under the transportation bill, the state Sales Tax will increase 0.3 percentage points and the Sales Tax in Northern Virginia will increase 0.7 percentage points. The total Sales tax in Northern Virginia will increase from 5.0 percent to 6.0 percent, a 1 percentage point change. Unlike the County’s current 1.0 percent tax, the additional 1.0 percent tax will not apply to food purchased for home consumption. If all Sales Taxes are paid by households, the average household would see an increase of \$363 per year due to the 1.0 percent increase. This estimate is overstated as a portion of the sales tax is paid by businesses and visitors to the County.
- The transportation bill would levy an additional 3 percent Transient Occupancy tax in Northern Virginia. This tax would not impact most County residents. Based on an average hotel room of \$125 per night, this 3 percent tax would increase the stay at a Northern Virginia hotel by \$3.75 per night.

Fairfax County Revenues

From these taxes, Fairfax County is projected to generate \$139.7 million with 70 percent, or \$97.8 million, going to the Northern Virginia Transportation Authority (NVTA) for regional projects and 30 percent, or \$41.9 million, coming to the County. Projects using NVTA funds will be selected based on the NVTA’s TransAction 2040 Plan. These projects include highway, rail and other transit projects. The spending of the County’s portion of the transportation funds will be guided by the County’s Four Year Transportation Program. Projected revenue is shown in the table below. Note that the Sales Tax estimate has been revised from previous estimates to exclude Sales Taxes on food for home consumption.

**Fairfax County Revenue Estimates of
Northern Virginia Transportation Taxes in HB 2313**

	Estimated Revenue For Transportation	70% to NVTA	30% to County
Deed of Conveyance	\$23.3 25 cents / \$100	\$16.3	\$7.0
Sales Tax (excluding food)	\$100.8 0.7 percent	\$70.6	\$30.2
Transient Occupancy	\$15.6 3 percent	\$10.9	\$4.7
Total Fairfax County	\$139.7	\$97.8	\$41.9

In addition to the Northern Virginia taxes, the transportation bill adjusts several state taxes.

- The state Sales tax will increase 0.3 percent. The impact to a County household is calculated above.
- The transportation bill replaces the 17.5 cents per gallon tax with a 3.5 percent tax on the wholesale price. A 3.5 percent wholesale tax is estimated to be equal to 10.5 cents to 12.0 cents per gallon tax. Therefore, someone who drives 15,000 miles per year in a vehicle getting 25 miles per gallon would save somewhere between \$33 and \$42 per year. A household with two vehicles would save \$66 to \$84 per year.
- The State vehicle sales tax would increase from 3 percent to 4.3 percent over four years. As of July 1, 2013, the state vehicle sales tax will increase from 3.0 percent to 4.0 percent. Assuming a Virginia resident purchases a vehicle for \$20,000 in FY 2014, the vehicle sales tax would be \$800, an increase of \$200 over the FY 2013 tax of \$600.
- The bill also levies an annual fee of \$100 for alternative fuel, electric and hybrid vehicles. In Fairfax County, there are approximately 11,200 of these types of vehicles, which represent 1.2 percent of total vehicles in the County.