



VIRGINIA RAILWAY EXPRESS
OPERATIONS BOARD

Agenda Item 10-A
Information Item

To: Chair Bohmke and the VRE Operations Board

From: Rich Dalton

Date: March 15, 2024

Re: Primer on the Regional Motor Vehicle Fuels Tax

Overview

In the cities and counties comprising the Northern Virginia Transportation Commission (NVTC) and the Potomac & Rappahannock Transportation Commission (PRTC), a Regional Motor Vehicle Fuels tax is levied on fuels sold by a distributor to a retail dealer. The funds go to the Commission in which the funds were generated to be used as provided by state statute. The FY 2024 tax rates are 8.7 cents per gallon for gasoline, 8.8 cents per gallon for diesel fuel, and 8.7 cents per gallon equivalent for alternative fuels. This tax rate is pegged to the Consumer Price Index – All Urban Consumers (CPI-U) and is updated annually.

A Regional Motor Vehicle Fuels sales tax was first levied at the rate of 2.0 percent of retail sales in the NVTC jurisdictions in 1981 and in the PRTC jurisdictions in 1986. The form of the tax has been modified multiple times since then:

- Effective January 1, 2010, the tax was changed to a 2.1 percent sales tax on a wholesale basis. 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.
- Effective July 1, 2018, a price floor was established for the calculation of the sales tax, with a resulting increase in revenue.
- Effective July 1, 2020, the sales tax was changed to an excise tax at the rate of 7.6 cents per gallon for gasoline and 7.7 cents per gallon for diesel fuel, which was intended to be revenue neutral. The tax rate was also indexed to inflation as measured by the CPI-U; and as of that date the excise tax was levied in every locality within the Commonwealth.



Northern Virginia
Transportation Commission
2300 Wilson Blvd., Suite 230
Arlington, VA 22201
703-524-3322



Virginia Railway Express
1500 King Street, Suite 202
Alexandria, VA 22314
703-684-1001
VRE.org



Potomac and Rappahannock
Transportation Commission
14700 Potomac Mills Road
Woodbridge, VA 22192
703-580-6121

In FY 2023, the Commissions' total regional fuels tax revenues were \$93.6 million, with \$53.3 million collected in the NVTC jurisdictions and \$40.3 million in the PRTC jurisdictions.

Commuter Rail Operating and Capital (C-ROC) Fund

In 2018, the General Assembly declared it to be in the public interest that developing and supporting commuter rail operations are essential to the Commonwealth's continued economic growth, vitality, and competitiveness in national and world markets. The General Assembly thereby created the Commuter Rail Operating and Capital (C-ROC) Fund and directed that a combined \$15 million of the Regional Motor Vehicle Fuels tax collected annually in the NVTC and PRTC regions go to the C-ROC Fund. The share of the \$15 million directed to the C-ROC Fund by each transportation commission is based on the percentage each Commission provides to VRE's total budget.

NVTC

A Regional Motor Vehicle Fuels sales tax was initially levied in the NVTC jurisdictions to support contributions to the Washington Metropolitan Area Transit Authority (Metro). The implementation of the price floor in July 2018 resulted in increased revenue that could be directed to the C-ROC Fund for use by VRE as well as the WMATA Capital Fund. In the NVTC region, \$22.183 million of the gross tax collections is deposited in the Commonwealth's WMATA Capital Fund, and approximately \$5 million is deposited in the Commonwealth's C-ROC Fund. The WMATA Capital Fund contribution was set at a fixed amount of \$22.183 million along with the change to an excise tax in July 2020. The net collections (after accounting for the WMATA and C-ROC deposits) are distributed to NVTC for use by its member jurisdictions. The initial NVTC WMATA compact members, which include the counties of Fairfax and Arlington and the cities of Alexandria, Fairfax, and Falls Church, are required to use the tax for WMATA debt service or capital and operating subsidies. Loudoun County may use the tax for any transportation purpose. NVTC jurisdictions use general fund or local transportation fund monies to pay their share of the VRE subsidy.

PRTC

To facilitate the creation of VRE, PRTC was established by the initial member jurisdictions in 1986. A 2% motor fuels sales tax, since changed to an excise tax, is levied in each jurisdictional member of PRTC. The tax revenue may be used by PRTC to fund local transportation improvements in its member jurisdictions and is largely used to subsidize transit services (both VRE and OmniRide)¹.

¹ By agreement among the PRTC jurisdictions and PRTC, the tax revenue generated in a member jurisdiction may only be used by PRTC for purposes approved by the jurisdiction.

As with NVTC, the establishment of the price floor in July 2018 resulted in increased revenue that could be directed to the C-ROC Fund. Any net collections after making the C-ROC Fund contribution were then available to PRTC for transportation expenses in its member jurisdictions. As mentioned above, in 2020 the sales tax was changed to an excise tax.