



February 14, 2020

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House and Senate Pass Fuels Tax Increases

Bills Differ on Timing and Rate

Both the Virginia House and Senate this week passed bills to significantly increase gasoline and diesel taxes over the coming years and index the rate to the consumer price index in the future. The original Senate bill would have increased the rate by 12 cents over four years. The revised version passed on Tuesday changes the increase to four cents effective July 1 followed by a 6.8 cent increase on July 1, 2021. Importantly, this bill would also expand the current local taxes in Northern Virginia, Hampton Roads, and Interstate 81 statewide. The House bill raises the state tax in 3 increments of 4 cents per year and does not include the expanding regional taxes statewide. An ultimate resolution on fuels tax increases is not likely until the final days of session.

Skill Games' Last Hope is the State Budget

This week the House voted 80-15 and the Senate 31-9 to ban skill games at all Virginia businesses and convenience stores. An attempt to allow up to 10 games at truck stops was dropped by the Senate after it was apparent it did not have 21 votes needed to pass. At this point it appears that the only chance skill games can survive is if they are added to the two year spending bill which the General Assembly will have to pass by March 7. This is not impossible as the governor added \$25 million in anticipated skill game tax revenue in his proposed budget. In discussions with many of the interested parties in this debate it has become clear that legislators are sending a message to skill game manufacturers that they do not appreciate the way the games were rolled out and particularly the fact that the state is receiving no revenue from their operation. The ironic part is that as skill games are being eliminated, casinos, sports betting and internet lottery are on the fast track to approval in Richmond.

Plastic Bags

Late in the evening on Tuesday, senators amended a statewide plastic bag taxation bill to make it apply only to planning District 8 (Northern Virginia). Other localities could add the fee only after an affirmative vote of their governing board. Those continuing to dispense plastic bags in planning district 8 would have to charge a 5 cent fee payable by the consumer. Of the five cents, the seller could keep two cents for the first two years, provided that they use at least one cent to promote plastic bag recycling or giveaways of reusable bags.

Virginia's Minimum Wage Increasing

The only certainty is that Virginia's minimum wage is going up on July 1st. The question is how far and how fast? Tuesday the Senate adopted a compromise plan that phases in a \$15/hour rate, but only for Northern Virginia. Other parts of the state would have increases that are tied to average incomes in the region. The House version is much more aggressive calling for statewide increases to \$9/hour in July, \$11/hour in 2021, \$13/hour in 2022, and \$15/hour in 2023 with the rate indexed to inflation afterward.

Tobacco Taxes Increasing

While the most punitive tobacco tax increases are dead for the year, still under consideration is the governor's proposal to increase cigarette taxes by 30 cents per pack and the tax on other tobacco products by 20%. Also advancing in both branches is "equalization" legislation that would allow cities to have the same taxing authorities as counties. Cities could impose new cigarette taxes of up to 40 cents per pack.

Internet Lottery

As mentioned, in the coming weeks, bills to allow casinos and legalized sports gambling will be on the governor's desk. In order to conduct sports betting, the lottery has insisted that they need to repeal Virginia's prohibition on selling lottery tickets on the internet. Consequently, bills to allow internet sales for the first time have been passed by large bi-partisan majorities: 67-29 in the House and 27-12 in the Senate. Fortunately, neither bill would allow these purchases to be made with credit cards. In response, we are working on language which would be included in the state budget that calls for a study of lottery sales agent commissions. Base commissions have remained the same since 1986 and even when combined with cashing bonuses, seller compensation is behind every border state. Hopefully this study will lead to action on commissions in the 2021 session.

Right to Work Survives Repeal Effort

The number one priority of organized labor, the repeal of Virginia's Right to Work law, has been defeated for the year. Most, if not all, business interests including VPCMA opposed this effort at forced unionization, citing our 2019 designation as the best state to do business. The state agency in charge of bringing new business into Virginia estimated that repeal would cost tens of millions of dollars in new investment to turn away from our state to those without forced unionization. Also dead for the year is a related proposal that would have required non-union workers to pay a "fair share" of union dues to compensate unions for their organizing and bargaining efforts.

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