

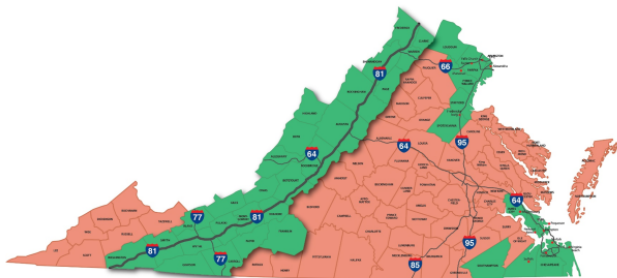


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Historic Transportation Funding Bill Will Increase Taxes Significantly While Restoring One Statewide Cents Per Gallon Rate

Legislators passed a historic transportation bill yesterday afternoon that will significantly increase cents per gallon taxes while restoring one statewide cents per gallon rate effective July 1. The following map summarizes the changes that will take effect both this year and next.

Transportation Funding
Effective July 1, 2020



Current Fuels Tax Rates

Green Areas	16.2 + 7.6 cpg gasoline/7.7 diesel
Orange Areas	16.2 cpg

Statewide Fuels Tax Rates Effective 7/1/2020

All Areas	21.2 + 7.6 = 28.8 cpg/28.9 diesel
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Statewide Fuels Tax Rates Effective 7/1/2021

All Areas	26.2 + 7.6 = 33.8 cpg/34.7 diesel
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We are pleased to report that no changes were made to the allowance or dates of remissions

section of the law and that there will be no inventory or floorstocks tax imposed when rates change this year and next. Additionally, this action will hopefully help the lead to the ultimate demise of the Transportation Climate Initiative in Virginia. As reported previously, this plan would mandate fossil fuel rationing and ultimate prohibition. The provisions of the bill passed yesterday link future statewide transportation projects to significant motor fuels tax increases. The math is simple --you can't fund a modern transportation system while systematically dismantling the petroleum marketing industry.

Minimum Wage

Virginia's minimum wage will increase from 7.25 to 9.50 an hour, but not until January 1, 2021. Before the minimum wage could go any higher, during the General Assembly's 2024 legislative session, lawmakers would have to pass the legislation again. If approved again, the minimum wage would increase to \$13.50 in 2025 and then \$15 in 2026. From there, it would be linked to inflation.

Skill Games

As it stands today, skill or "grey" machine games will be banned in Virginia effective July 1st. There will be efforts to convince Governor Northam to offer an amendment during April's one-day "veto" session to regulate and tax these machines, likely at truck stops only. We will be following this closely over the coming weeks. What became clear during session was that action to ban these machines was in response to the manufacturer's decision to install the machines without the usual regulatory approval (which the manufacturers say they did not need) and without paying state or local taxes on the proceeds. Whatever the outcome, lawsuits are likely. Efforts by Las Vegas gambling interests to install mini-casinos with games of chance on every street corner in Virginia were also defeated.

Lottery

On July 1, the Virginia Lottery will begin selling its products on the internet. This effort was boosted by the fact that lottery profits were estimated to have declined more than \$150 million since the proliferation of skill games in the state. As lottery profits are dedicated to public education, they had a very powerful argument to make to legislators that internet sales were important to stem the lost revenue to schools. The Lottery has agreed with our request to a formal study of retailer sales agent commissions, specifically as compared to the border states. We argued successfully that a study is necessary in that base commissions have not increased in the thirty two years the Lottery has been in operation.

Gaming

If voters approve in referendums this November, casinos could soon be under construction in Bristol, Danville, Portsmouth, Norfolk and Richmond. Decades of opposition to casinos evaporated when the MGM Casino opened last year directly across the Potomac River from Alexandria, leading to hundreds of millions of Virginia dollars being spent there and at other casinos elsewhere in Maryland and West Virginia. Also passing yesterday was legislation to make Virginia the 11th state to legalize sports betting. This will be managed by the Virginia Lottery which has a stated goal of having the system up and running in time for the first NFL game of the season in September. The bill specifically prohibits betting on games involving Virginia college teams and tier 2 betting (in-game) on all college sports. It is anticipated that the majority of sports betting will be done on-line but will also be permitted at any future Virginia casino.

Taxation

Legislation has passed that will allow counties to have the same power to impose taxes as cities and towns currently have. Today almost 120 localities tax cigarettes, but only Arlington and Alexandria have received General Assembly power to do so. The bill would cap any new county taxes at 40 cents per pack. The bill also allows counties to impose taxes on meals, admissions and hotel stays.