

THE VIRGINIA HIGHWAY CONSTRUCTION AND MAINTENANCE FUND:
A SURVEY OF REVENUE SOURCES
1978-1979

by

Daniel D. McGeehan
Research Scientist

(The opinions, findings, and conclusions expressed in this report are those of the author and not necessarily those of the sponsoring agencies.)

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The study of the revenue sources for the Highway Construction and Maintenance Fund was initiated by the Economics Research Advisory Committee under the chairmanship of Mr. Leo E. Busser III, who at that time held the position of management services officer. Its purpose was to provide a current publication on the revenue sources for the Fund. The publication was intended as a reference and contained no recommendations.

Two versions of the publication, both issued in 1974, were compiled by Linda Raab and Thomas Daniel. The first consisted of three basic parts: a history of revenue sources, a reference to the sections of the Virginia Code governing each revenue source, and an accounting of the amount of revenue generated by each source. When the publication was revised in the fall of 1974, the code and financial sections were updated but the history section was omitted because copies of the earlier versions were assumed to be readily available to those who would receive the revision.

The interest shown in these earlier versions, combined with the changes which have been made in the transportation agencies, has prompted this second revision.

It uses the same format as the original, but it is intended that a list of those receiving copies will be maintained so that periodic updates can be made by memorandum and thereby eliminate the need for major future revisions.

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SUMMARY

This report describes the sources of state monies that make up the State Highway Construction and Maintenance Fund. The report shows that a total of \$521,731,812 was collected by five state agencies during fiscal year 1978-1979. The Department of Motor Vehicles collected 91% of the revenue, or approximately \$475,782,127; the Department of Highways and Transportation collected 8%, or approximately \$41,965,741; .400% (approximately \$2,130,927), .360% (approximately \$1,833,542), and .004% (approximately \$19,475) were collected by the State Corporation Commission, the Court or Commonwealth's Attorney, and the State Police, respectively.

The collection mechanisms through which these revenues are channeled and the histories of the sources are also given.

A reading of the histories of the revenue sources in light of the information given in the section entitled Virginia Highway and Transportation Commission reveals that, although the responsibilities of the Commission were expanded from highway-related concerns to the much broader realm of transportation in 1974, the sources of revenue which support the activities needed to carry out these responsibilities have not been increased nor has the definition of "user" been expanded.

The report points out two actions that resulted in reduced revenues for the Highway Fund. One was the elimination of the Gross Earnings Road Tax on Carriers of Passengers and the other was the broadening of the definition of those persons or operators eligible for refunds from the motor fuel tax to include certain taxicab service in 1974 and, in 1979, carriers of passengers engaged in "regular route service"

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PURPOSE AND FORMAT

This document is the second update of a compilation on sources of revenue for the Highway Construction and Maintenance Fund prepared by Linda Raab and Thomas Daniel in 1974 and updated by them that year. Its purpose is generally the same as that of the original: to provide continued clarification of the complex scheme of highway financing in Virginia in a ready reference for those who are charged with transportation decision making in Virginia. The distribution of this present version will be recorded so that future updates summarizing the legal and financial changes affecting the Maintenance and Construction Fund can be made by memoranda to the recipients.

Following a section on Background and a description of the Virginia Highway and Transportation Commission, the report discusses the state sources of revenue for the Highway Fund. First presented are the revenues, exclusive of federal monies, making up the Fund for fiscal 1978-79 as computed according to the State Comptroller's report to the Department of Highways and Transportation. Next is a listing of the significant sections of the Virginia Code pertaining to the revenue sources.

The report then describes the revenue sources listed in the Comptroller's report for fiscal 1979 and gives the various steps involved in the collection of revenue from each source. Wherever possible, a historical perspective of the development of these sources from the birth of the Highway Commission to the present is included.

BACKGROUND

In 1901, the state of New York made the first attempt to impose differential taxes on the direct beneficiaries (the users) of roads by imposing motor vehicle registration fees. By 1929, all states levied excise taxes on gasoline, and some states charged registration fees. These user charges were justified on the benefit principle, which holds that it is appropriate that taxes which are required to finance certain services provided by the government be imposed on the consumers of these services.(1)

At first, the revenues generated by these taxes were deposited in the states' general funds. Under this arrangement, highway user taxes increasingly came to be used for non-highway purposes. This situation made it necessary for state governments to designate that the revenues from highway user charges be allocated to special funds to ensure they be expended solely for road construction and maintenance.

Virginia, like other states, uses both general and special funds. Those funds not earmarked for particular purposes are put into the general fund. Such funds are derived primarily from taxes levied on individuals, such as income and inheritance taxes. The earmarked revenues are funneled to special funds to be used for specific purposes, such as highways and agricultural assistance. Use taxes (such as the gasoline tax) and federal grants are examples of revenues which are channeled into the special fund. More than half of the special funds are allocated to roads through the State Highway Construction and Maintenance Fund (hereinafter referred to as "the Fund" or "the Highway Fund").⁽²⁾

THE VIRGINIA HIGHWAY AND TRANSPORTATION COMMISSION

In 1976, the General Assembly enacted legislation which established the office of the Secretary of Transportation. The Secretary was directed to resolve administrative, jurisdictional and/or policy conflicts between any agency or officer assigned to his office and to direct the formulation of budgets for his office encompassing the programs and activities of the agencies assigned to it.

Agencies assigned to the Office of the Secretary of Transportation were the Virginia Airport Authority, the Division of Motor Vehicles, the Highway Safety Division (which on July 1978 became the Department of Transportation Safety), and the Department of Highways and Transportation.

On July 1, 1974, the Virginia Department of Highways became the Virginia Department of Highways and Transportation (see Figure 1). The newly created Highway and Transportation Commission assumed responsibility for the development and coordination of unified transportation plans, not only for highway and mass transit systems, but also for air and water transportation systems. The formation of this new Commission, however, did not mark the usurpation of the activities of localities or of local and regional planning bodies; rather it signified the channelization of federal and state funds available for transportation planning through a single state agency. Such an arrangement permits the equitable distribution of these funds to those areas experiencing the greatest need for them.

DEPARTMENT OF HIGHWAYS
AND TRANSPORTATION
ORGANIZATION CHART

January 1, 1979

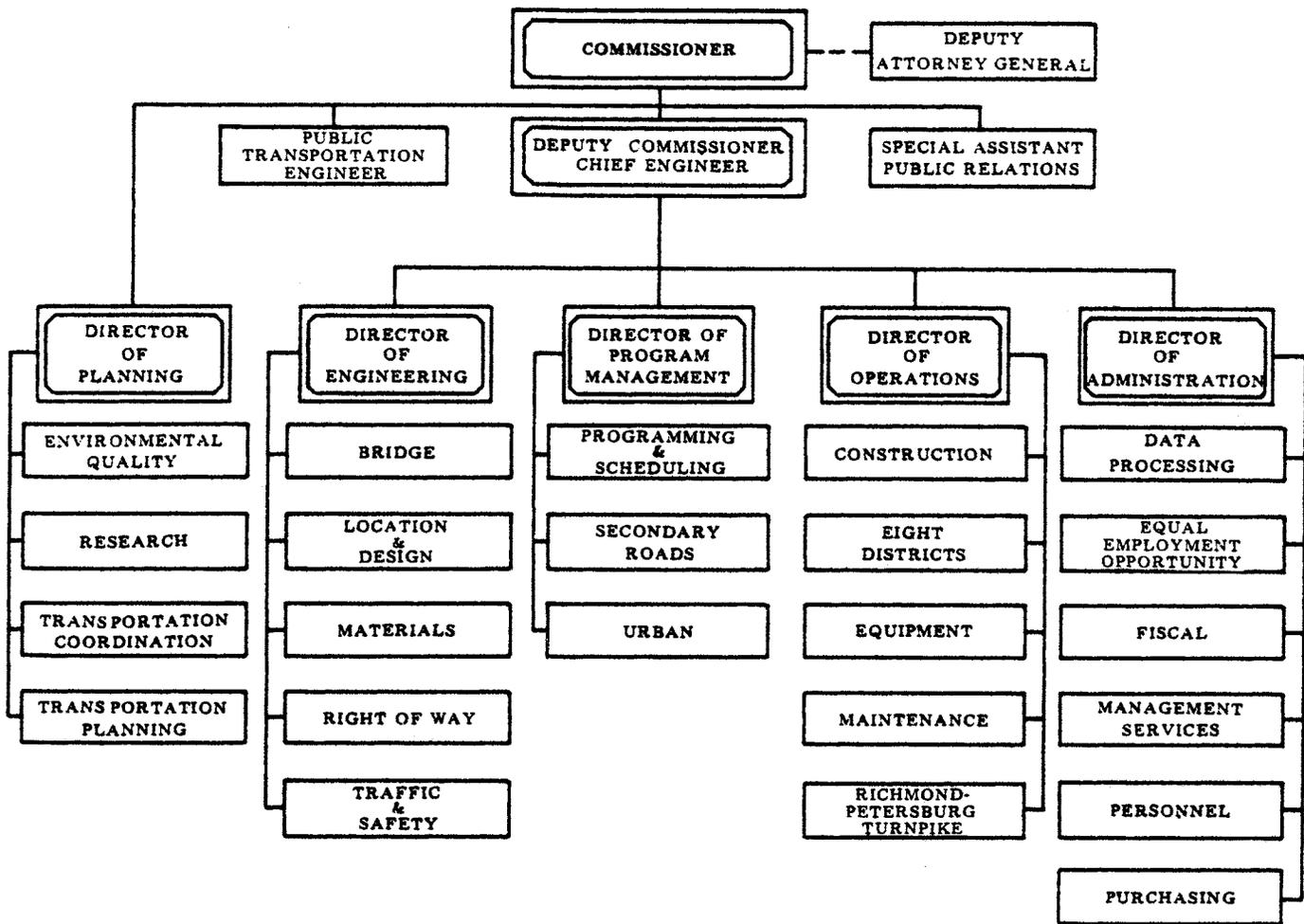


Figure 1. Virginia Department of Highways and Transportation Organization Chart.

The establishment of the Highway and Transportation Commission prompted changes in the structure of both the Highway Commission and the Highway Department. The additional powers and duties of the Commission described in the preceding paragraph were assigned and the number of commissioners was increased from 9 to 11. The two new members are appointed from the state at large; one represents a metropolitan area and the other a rural area.

The position of director of planning was established within the Department of Highways and Transportation. The divisions organized under this director are responsible for the Department's urban and statewide planning activities, environmental matters, and research.

The establishment of the Public Transit Division is a recent addition to the Department. The responsibilities of this Division are to determine the need for transportation facilities and their economic feasibility and to implement plans and programs for the development, improvement and coordination of public transportation in Virginia. Additionally, the Division is responsible for investigating ways to improve the economy and efficiency of the state's existing public transit systems.

REVENUE SOURCES FOR THE VIRGINIA HIGHWAY CONSTRUCTION AND MAINTENANCE FUND: 1978-79

The practice of channeling revenue into special funds as described earlier has grown rapidly since 1910, when the first anti-diversion law provided that the revenue derived from license tag fees should be used exclusively for highway purposes.⁽³⁾

Table 1 lists all of the nonfederal revenue sources of the Highway Fund, exclusive of refunds. The contribution of each source for the fiscal year ending June 30, 1979, is shown both in dollars and as a percentage of the total revenue received by the Fund, exclusive of federal contributions. Table 2 is an attempt at listing the significant sections of the Virginia Code pertaining to each revenue source contributing to the Highway Fund.

The subsections under this heading of the report are organized according to collection agency. Each includes a description of the agency followed by a detailed discussion of each source of revenue collected by it, including:

1. a description of the revenue source,
2. a description of the collection mechanism, and
3. a history of the source.

Table 1

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Summary of State Revenue Sources for Highways
Fiscal Year 1978-1979

(See Appendix A For a more detailed breakdown.)

<u>Source</u>	<u>Amount Collected</u>	<u>Percentage</u>
<u>Division of Motor Vehicles (Refer to Table 3)</u>		
Motor Fuel Tax(a)	\$292,156,624	55.89
Motor Vehicle Sales and Use Tax	75,612,670	14.470
Motor Vehicle Title Registration	8,813,314	1.690
Motor Vehicle Licenses (Tags)	75,161,680	14.380
Chauffeur and Operator Permits	9,384,368	1.800
Dealer & Salesman Licenses	390,104	0.075
Mileage Permits	150,463	0.029
Recording, Copying, Certifying Records	3,390,183	0.649
Fees for Service of Process to Nonresidents	14,668	0.003
Interstate Reciprocal Agreement Plan	11,317,705	2.165
Driver Improvement Clinic	103,389	0.020
Miscellaneous	82,358	0.016
Total	476,577,525	91.175
<u>State Corporation Commission (Refer to Table 7)</u>		
Gross Earnings Road Tax(b)	231,130	0.044
Motor Vehicle Carrier Permits	1,899,797	0.363
Motor Fuel Road Tax(c)		
Total	2,130,927	.408
<u>Court or Commonwealth's Attorney (Refer to Table 9)</u>		
Liquidated Damages for Violation of Weight Limits	1,798,465	0.344
DMV Weighing Fees	35,077	0.007
Total	1,833,542	0.351
<u>State Police (Refer to page)</u>		
Fees for Approval Certificates	19,475	0.004
<u>Virginia Department of Highways and Transportation (Refer to Table 10)</u>		
Receipts for Road Work	10,348,427	1.980
Hauling Permits	271,810	0.052
Highway Permits	191,433	0.037
Revenue Bond Funds	30,558,619	5.846
Mileage Permits	172,802	0.033
Miscellaneous Revenue	595,652	0.114
Total	42,138,543	8.062
Total Maintenance & Construction Fund Revenue	\$522,700,013	100%

(a) Includes amount collected for Motor Fuel Road Tax by SCC.

(b) Amount shown was paid into fund prior to repeal of this tax on April 1, 1978.

(c) Included in figure for Motor Fuel Tax.

Table 2

Virginia Code Sections Pertaining to State Revenue
Sources For the Highway Maintenance and Construction Fund

<u>Source</u>	<u>Code Sections(a)</u>
<u>Division of Motor Vehicles</u>	
Motor Fuel Tax (Including Special Fuels)	58-686 through 757.01
Motor Vehicle Sales and Use Tax	58-685.10 through 685.25
Motor Vehicle Title Registration	46.1-41 through 98.1
Motor Vehicle Licenses (Tags)	46.1-41 through 167.7
Chauffeur and Operator Permits	46.1-348 through 387.12
Dealer and Salesman Licenses	46.1-113 through 130 & 164
	46.1-515 through 550.3
Mileage Permits	46.1-42.1 through 44
Fees for Recording, Copying, Certifying Records	46.1-32 through 35.1
Fees for Service of Process	8-67.1 through 67.5;
	46.1-134, 139
Interstate Reciprocal Agreement Plan	46.1-157.1
Driver Improvement Program (Clinic)	46.1-514.1 through 514.20
<u>State Corporation Commission</u>	
Gross Earnings Road Tax	repealed by Act 1978, C. 673
Motor Vehicle Carrier Permits	56-273 through 304.13
Motor Fuel Road Tax	58-627 through 637
<u>Court or Commonwealth's Attorney</u>	
Liquidated Damages for Violation of Weight Limits	46.1-342
DMV Weighing Fees	46.1-347
<u>State Police</u>	
Fees for Approval Certificates	46.1-314
<u>Virginia Department of Highways</u>	
Receipts for Road Work	33.1-201
Hauling Permits	46.1-343
Highway Permits	
Toll Revenue Bond Funds	33.1-267 through 320

(a) This is not purported to be a comprehensive listing of all Code sections relevant to these highway revenues.

Source: Code of Virginia, 1950.

Table 1 is divided into four subtables in the text of the report according to collection agency. These four smaller tables are reproduced in appropriate places throughout the report for easy reference.

Division of Motor Vehicles (DMV) Collections

The DMV is responsible for the collection of 91% of the amount collected from state revenue sources and dedicated to highway maintenance and construction purposes. The DMV revenues (after refunds have been paid) discussed in this section are nearly all channeled to the Highway Fund through the state treasurer. Money from the Highway Fund is returned to the DMV to finance its administration and operation. The DMV states its mission "to administer the Motor Vehicle Titling, Licensing and Regulating Laws and the driver licensing and regulating laws of the Commonwealth for the continuing benefit of all citizens."(4)

Although the DMV was not established until January 28, 1924, the General Assembly apparently had earlier seen the need for some type of administrative agency to regulate motor vehicles. In 1906, the same year in which license tags for motor vehicles were introduced, Chapter 299 (the Byrd bill) appropriated \$6,500 to run the "Motor Department", as it was then designated. Then, in 1924, Edwin A. Gibson of Culpeper County introduced "a bill to create the office of Motor Vehicle Commissioner ... and to invest ... his assistants with the power of a sheriff...." On March 4, 1924, the Act became Chapter 99. James M. Hayes, Jr. was elected first commissioner by both houses of the State Legislature at a salary of \$5,000 per year.

Chapter 149 of the Acts of 1926 provided for the continuation of the office of DMV commissioner. By that year, the DMV had established branch offices and had adopted a system of filing registrations and recording transfers of vehicle ownership. In 1927, Chapter 33 established the DMV as a major division within the Department of Finance. Except for the separation of the State Police in 1942, the DMV has remained essentially the same since 1927.

Revenues collected by the DMV for the fund for fiscal year 1978-79 are listed in Table 3. The sources of these revenues are described in the following subsection.

Table 3

State Revenues for Highways Collected
by the Division of Motor Vehicles
Fiscal Year 1978-1979

<u>Source</u>		<u>Amount Collected</u>	<u>Percent age</u>
Motor Fuel Tax		\$292,156,624	55.890
Motor Vehicle Sales & Use Tax	72,865,055	75,612,670	14.470
Motor Vehicle Rental Tax	2,741,930		
Mobile Home Sales Tax	5,684		
Motor Vehicle Title Registration	7,743,002		
License & Registration			
Reinstatement	147,747	8,813,314	1.690
Revoked License & Registration			
Fee	922,565		
Motor Vehicle Licenses (Tags)	74,318,052		
Reserved License Plates	801,138	75,161,680	14.380
Uncollected Check Fee	42,490		
Chauffeur & Operator Permits		9,384,368	1.800
Dealer & Salesman Licenses		390,104	0.075
Mileage Permits		150,463	0.029
Recording, Copying, Certifying Records		3,390,183	0.650
Fees for Service of Process to Nonresidents		14,668	0.003
Interstate Reciprocal Agreement Plan		11,317,705	2.165
Miscellaneous		82,358	0.016
Driver Improvement Clinic Fees		103,389	0.020
<u>Total DMV Revenues</u>		<u>\$476,577,526</u>	<u>91.176</u>
<u>Total Highway & Construction Fund</u>		<u>\$522,700,013</u>	<u>100.000</u>

Motor Fuel Tax

Description

In the fiscal year ending June 30, 1979, the primary source of highway revenue was the motor fuel tax, which generated 56% of the state road funds. This revenue included receipts from levies on fuel commonly known as gasoline and on special fuels such as diesel or aviation fuel, and that on motor fuel (gasoline or special fuels) consumed in Virginia by motor carriers, often referred to as the "motor fuel road tax." Separate laws govern the collection of these taxes. Consequently, in order to explain the provisions of these laws, each tax is presented separately. This section describes the gas tax and the special fuels tax; a separate section pertaining to revenues collected by the State Corporation Commission contains an explanation of the motor fuel road tax.

Gas Tax. Section 58-711 of the Code of Virginia authorizes a tax of 9 cents on each gallon of motor fuel — that is, gasoline — sold in Virginia. This section further provides for a tax of 4 cents on each gallon of aviation fuel sold for use in the operation of aircraft. (Section 58-712) Exempted from these provisions is motor fuel sold to (1) the state and its political subdivisions, (2) transportation districts, and (3) agencies of the federal government.

Upon receipt of monthly reports, the Fuels Tax Department of the DMV makes full or partial refunds under Section 58-715 for fuel used in —

1. most types of boats and ships;
2. tractors used for agricultural purposes;
3. buses used to transport children to public and certain private schools and for transportation to and from educational and athletic activities;
4. vehicles of fire departments and rescue squads;
5. motor equipment of cities, counties, and towns, and
6. equipment used for spraying and cleaning; and
7. on fuel used accidentally.

Special Fuels Tax. The Special Fuels Tax applies to those fuels used in internal combustion engines which are not taxed under the provisions of the gas tax. Under Section 58-744, a 9 cents per gallon tax is levied on fuel used in motor vehicles such as diesel

powered trucks. Aviation fuel is taxed at the rate of 4 cents per gallon, except when quantities in excess of 100,000 are purchased, in which case, the 4 cents per gallon applies to the first 100,000 gallons and 1/4 of a cent per gallon to any in excess of 100,000 gallons. Credits are made on taxes paid in excess of these rates, but are not allowed to be carried forward to the following year.* Like the Motor Fuel Tax Act, the Special Fuels Tax Act exempts agencies of the state and federal governments.

Several sections of the Special Fuels Tax Act specify refunds for the following:

1. taxes on fuel lost (Sec. 58-753);
2. taxes on fuel for non-highway use when 5 gallons or more are purchased at one time (Sec. 58-753.1);
3. taxes paid on fuel transported outside Virginia for sale or use (Sec. 58-753.1:1);
4. taxes on fuel used for agricultural purposes when more than 5 gallons are purchased at one time (Sec. 58-753.1:2);
5. taxes on special fuels sold to transportation districts (Sec. 58-744 and 15.1-1370); and
6. taxes on fuel used in buses owned or used by private, nonprofit, nonsectarian schools for the purpose of transporting children to school or to school related activities (Sec. 58-753.1).

Refunds to certain persons, firms or corporations engaged in the transportation of passengers over the highways of Virginia are not considered under the provisions of either fuels tax act. These refunds are outlined under Sec. 58-757.01, which states that under certain requirements refunds are made on fuel used in buses and taxicabs used in regular route service over the highways by common carriers of passengers.

Collection Mechanism

The collection mechanisms for the motor fuels and special fuels taxes are similar. According to Section 58-713 of the Motor Fuel Tax Act and Section 58-746 of the Special Fuels Tax Act, agents who import either motor fuel or special fuels into Virginia must file a monthly report with the Fuels Tax Department of the DMV. The reports must list:

*Bonded aviation fuel, that is, fuel held in bonded storage under federal customs law for use in international flights, is not subject to these taxes.

1. the quantity of fuel on hand for the first and last days of the preceding calendar month;
2. the quantity received during the month;
3. the quantity sold during the month; and
4. the quantity sold to other dealers.

These reports are due by the 5th day of the 2nd month following the month for which they are filed. In other words, a dealer's report for fuel bought and sold between December 1 and December 31 is legally filed as long as the Fuels Tax Department receives it by February 5. The report or payment of the Motor Fuel Tax for May shall not be deemed to be legally filed unless received by the Commissioner by the last business day the Division is open in June.

Section 58-730 of the Motor Fuel Tax Act and Section 58-733 of the Special Fuels Tax Act stipulate that most funds collected under these Acts be set aside for the construction and maintenance of Virginia's highways. However, some of these revenues are appropriated to other special funds and agencies for non-highway modes of transportation. In accordance with the Motor Fuel Tax Act, these funds are distributed as follows. First, for each gallon of aviation fuel sold, 4 cents is placed into a special fund for aviation.⁽⁵⁾ Second, after refunds totaling 8-1/2 cents per gallon are paid on fuel used in agricultural equipment, 1/2 cent per gallon is allocated to the Virginia Agricultural Fund Foundation.⁽⁶⁾ Third, after refunding 7-1/2 cents per gallon, the Virginia Department of Highways and Transportation receives 1-1/2 cents for each gallon of motor fuel purchased by users of commercial fishing, oyster, clamming, and crabbing boats in order to maintain public boating areas, and the same amount on each gallon of motor fuel sold for other types of boating is appropriated to the game protection fund (available to the Commission of Game and Inland Fisheries). Unclaimed boating fuel tax is appropriated to the Marine Resource Commission.⁽⁷⁾ The Special Fuels Tax Act contains similar provisions for the allocation of tax revenues collected on non-highway modes of transportation.

History

In 1923, the Virginia Legislature was called upon to provide a means of matching federal-aid grants for highway construction. Delegate J. C. Campbell of Amherst proposed a tax on motor fuel as a means of raising the required funds. Several advantages of such a levy were cited. First, it was felt that tax money would be returned to the user (purchaser of gas) in the form of improved roads that would reduce wear and tear on automobiles as well as enhance the comfort and convenience of highway travel. Second, it was

anticipated that visitors to Virginia would be required to bear some of the tax burden as Virginians were required to do in neighboring states. Third, it was believed that motor fuel dealers would absorb some of the tax.⁽⁸⁾ In short, the legislators felt that a tax on motor fuel would enable all Virginians to bear their fair share of road construction costs.

Having made the decision to tax motor fuels, the Virginia legislators faced another important decision vital to the financing of roads. One alternative was to float bonds and to use the revenue from the gas tax to retire them. A second was to adopt a "pay-as-you-go" system of financing highways from a tax on gasoline. The latter course of action was chosen because more tax dollars would be needed to retire the bonds and to pay interest rather than to "pay-as-you-go".⁽⁹⁾

Chapter 107 of the Act of 1923 was approved by the General Assembly on March 26, 1923, and took effect on June 8 of that year. The Act levied a tax on motor fuel at the original rate of 2 cents per gallon, but this was changed three days later to 3 cents per gallon in order to provide 1 cent per gallon to the counties for construction. Section 400 of the Act contained a "non-diversion" clause requiring the state treasurer to appropriate 2 cents for the construction of the state highways and that he allocate 1 cent for county roads. Section 7 of the Act provided for refunds to users of boats, ships, aircraft, agricultural equipment, and state and municipal vehicles. The fuel tax would be paid by the dealers, who were required to keep records and make reports to the secretary of the Commonwealth and pass on the tax to the consumers. The collection mechanism has undergone a few changes since 1923. The revenue from this tax totaled \$1,536,699.53 for the last 6 months of 1923.⁽¹⁰⁾ The fuel tax was increased twice during the next 4 years. Chapter 137 of the Acts of 1926 raised the tax to 4-1/2 cents per gallon, of which 3 cents were allocated to state roads and 1-1/2 cents to those counties able to match state appropriations. The receipts from the gas tax of 1926 amounted to \$5,855,670.⁽¹¹⁾ Then the Legislature provided an additional 1/2 cent levy in 1928 in Chapter 174, Section 3.

Up until 1938, the motor fuel tax was imposed solely on gasoline; at that time the Legislature deemed it necessary to tax aviation fuel. Chapter 368 imposed a tax on aviation fuel at the rate of 3 cents per gallon. In 1940 the Use Fuel Tax Act was passed, levying a 5 cents per gallon tax on fuel used in vehicles having combustion engines consuming fuel other than gasoline.⁽¹²⁾ By 1946, the revenue from the fuel tax had increased significantly as a result of a general increase in the use of diesel powered vehicles. In that year, the Legislature raised the use fuel tax and the

gasoline tax to 6 cents per gallon under Chapter 196, Sections 4 and 5.(13) Chapter 406 of the Acts of 1952 changed the taxation of special fuels to one levied on the sale of fuel rather than on its use. Similar to the motor fuel tax, special fuel taxes are paid by those who import the fuel into Virginia. Chapter 633 distinguishes the designation "motor fuel", which is gasoline, and that of "special fuels", which encompasses all other fuels. Since 1952, the fuel tax has undergone two rate hikes. On July 1, 1964, the tax was raised to 7 cents per gallon and on July 1, 1972, to its present level of 9 cents per gallon.

The tax has undergone many other relatively minor changes to which reference has not been made. Examples of four of the more important of these follow. Chapter 226, Acts of 1954, provide specifically that taxes derived from the motor fuel levys (exempting aviation fuel taxes) be used only for highways and highway purposes. Chapter 459, Acts of 1958, provide for tax refunds on fuel used in tractors and unlicensed equipment used for agricultural purposes. Chapter 486 of the Acts of 1975 exempts transportation districts from taxation, declaring that such districts and commissions perform an essential governmental function.

Several amendments have expanded the definition of those eligible for motor fuel tax refunds. Prior to 1974, the definition covered

any person, firm or corporation who purchases motor fuel for consumption in motor vehicles used in operating urban or suburban bus lines the majority of whose passengers use the buses for traveling a distance of not exceeding forty miles, measured one way, on the same day between their places of abode and their places of work, shopping areas or schools. (§58-757.01)

In 1974 the definition was expanded to include operators of taxicab services; and in 1979, it was further expanded to include those carriers of passengers providing "regular route service over the highways of this State." These amendments have not had a significant influence on the Fund in terms of reducing tax revenues. However, they appear to indicate that the Highway Fund is to an increasing extent being used to support transportation activities.

Motor Vehicle Sales and Use Tax

Description

A relatively new source of revenue, the motor vehicle sales and use tax, accounted for approximately 14% of the amount produced

by the state sources of revenue for highway construction and maintenance in fiscal year 1978-79. Only one other item, the motor fuel tax (56%), produced a larger amount. Section 58-685.10 through 58-685.25 of the Virginia Code contains laws implementing the sales and use tax. This tax is collected each time the ownership of a vehicle changes. The sales and use tax for new vehicles is based on the list price attached to these vehicles in compliance with federal law. An approved publication utilized by tax authorities provides the basis for the taxation of used vehicles. Section 58-685.13 exempts from this tax -

1. vehicles sold to, rented or used by the United States government, governmental agency, Commonwealth of Virginia, or any political subdivision;
2. vehicles registered in the name of a volunteer fire department or rescue squad not operated for profit;
3. vehicles registered to any member of a recognized Indian tribe of the Commonwealth, provided he lives on his reservation;
4. transfers from lien holders and corporation transfers under certain conditions;
5. mobile homes permanently attached to real estate and included in the sale of real estate;
6. vehicles which are gifts to members of immediate family;
7. vehicles registered in the state for the first time with a valid title or registration from another state;
8. vehicles titled in a Virginia motor vehicle dealer's name for resale;
9. vehicles used for transportation of passengers under certain conditions;
10. vehicles purchased in the Commonwealth by nonresidents for the purpose of recording liens when the vehicles will be registered in the state where the purchasers reside; and
11. vehicles sold to an insurance company for the sole purpose of disposition when the owner has been paid for a total loss claim.

Under Section 46.1-45 vehicles which are no longer owned, rented, or used by the organizations under the conditions mentioned above are subject to the tax based on current market value. Similarly, when vehicles exempted because of specific use (e.g., agriculture) are licensed to operate on the highways, they too are subject to the tax based on current market value.

The 1974 session of the General Assembly added, effective as of October 1, 1974, provisions pertaining to rented vehicles. The motor vehicle rental tax established by this law operates much like the general sales tax on such items as clothes or household goods. Section 58-685.12 (b1) specifies a tax of 3% on the rental charge each time a motor vehicle is rented, regardless of whether or not the vehicle is required to be licensed in Virginia. Additionally, Section 58-685.17:1 requires each renter to obtain a certificate of registration for each place of business. The fee for these certificates is \$5 and they remain valid as long as the renter does not change the name or location of his business.

Collection Mechanism

The collection mechanism for the sales and use tax differs from that of the rental tax. Generally, sales and use taxes are paid at local DMV offices. At the end of each day, these local offices forward their receipts to the DMV office in Richmond. The 3% motor vehicle rental taxes are collected by local rental agents, who send them along with monthly reports to the main DMV office. The main office delivers both sales and use and rental taxes to the state treasurer. In accordance with Section 58-685.23, these taxes are allocated to the Highway Fund, except in the case of mobile homes, in which case all funds collected are turned over to the city, town, or county in which the mobile home is situated as a dwelling.

History

In 1963, the Virginia Highway Study Commission recommended the imposition of a 2% sales and use tax on all new and used motor vehicles which were required to be registered (titled) with and licensed by the DMV. However, this tax was not adopted until 1966. It took effect on January 1, 1966, on 1966 model vehicles, and on September 1, 1967, for all others. Since its inception, the sales and use tax has remained essentially the same. In 1973 an amendment was adopted which placed mobile homes within the definition of "motor vehicle" and thereby subjected them to this tax. In 1976, the Legislature added the provision that taxes paid on mobile homes be distributed to the local governments in which these homes were situated as dwellings.

Motor Vehicle Title Registration Fees

Description

The DMV collects a third revenue for the highway fund known as title registration fees. Purchasers of motor vehicles, trailers and semi-trailers pay these fees to record ownership of their vehicles. Upon registration, the DMV issues a certificate of title to the purchaser evidencing ownership of the vehicle.

Title registration fees not only generate revenue for the Highway Fund, they lend financial support to the administration of certain statutes regarding the protection of personal property. These laws serve to prevent purchases of stolen property or a vehicle on which outstanding liens are not satisfied. If the vehicle is debt free at the time of purchase, the DMV issues the certificate of title to the purchaser. If it is not, the lien holder keeps the certificate until the purchaser satisfies his debt.

The various fees associated with title registration are discussed below and summarized in Table 4. The DMV levies a charge of \$7 to register each original certificate of title and \$5 to record supplemental liens and issue new certificates of title. If a permanent certificate of title cannot be issued, the DMV or an authorized agent, such as a new car dealer, substitutes a temporary certificate which the purchaser must carry in his vehicle until he receives his permanent document. A duplicate to replace a lost, mutilated, or illegible certificate costs \$2. When a motor substitution necessitates a change in the vehicle description, a \$1 fee is charged.(14)

Table 4

Summary of Fees for Title Registration
Fiscal Year 1978-79

<u>Type of Title Certificate</u>	<u>Fee</u>
Original (§46.1-78)	\$7
Supplemental lien and new certificate (§46.1-78)	5
Duplicate or substitute (§46.1-55)	2
Motor substitution (§46.1-81)	1

Source: Va. Code Ann. Secs. 46.1-78, 46.1-55, 46.1-81.

Collection Mechanism

Upon application for a title for a vehicle, a purchaser makes payment at either the DMV central office in Richmond, a branch office, or someone authorized by the DMV, such as a new car dealer.* These payments are sent by the DMV central office to the state treasurer. The treasurer appropriates \$2 for each certificate of title issued to a special fund to aid Virginia localities in bearing the financial burden of disposing of abandoned vehicles.⁽¹⁵⁾ The remaining receipts from fees associated with title registration are allocated to the Highway Fund.

History

The first law providing for the recordation of titles to motor vehicles was Chapter 57, The Acts of the Assembly, 1919. It stated that no license was to be issued until the owner had filed a statement with the secretary of the Commonwealth for registration showing the engine number, the manufacturer's name, date of sale, seller, and the address of both the buyer and the seller. The secretary was to collect a \$1 fee for each such recordation. From 1919 until 1924, vehicle owners and operators were just required to register, and no formal title certificate was issued. It was not until 1924 that the present title law was passed.⁽¹⁶⁾

The Uniform Title Law was enacted on July 1, 1924. The Act provided for the issuance of a tangible certificate of title having all the legal characteristics of other property titles, including a complete description of the vehicle and full information as to liens thereon.⁽¹⁷⁾ Almost immediately, a marked reduction in the reported thefts of automobiles was realized, along with a 10% drop in theft insurance premiums.

Thus, the basic concept for today's title registration fees was fully developed by 1924. Since that year, there have been only relatively minor amendments to the law. For example, in 1964 the Legislature prescribed a \$5 fee for the recording of a new title or supplemental lien.⁽¹⁸⁾ Additionally, Code Section 46.1-90.1, which provides for the issuance of temporary certificates of title, was enacted in 1972.

*New car dealers are not necessarily DMV agents. Often they only forward the required information to the proper DMV office and obtain tags, registrations, etc. from the DMV as a service to their customers. However, dealers may sell temporary tags, valid for 30 days, at a cost of \$1 to those who buy autos at times when the DMV offices are not open for business.

Motor Vehicle Licenses (Tags)

Description

Prior to the institution of the motor fuel tax in 1923, motor vehicle license and registration fees met the entire cost of the state highway system. While the former has now become the primary source of revenue for the Highway Fund, the latter still accounts for approximately 14% of the total.

The motor vehicle license law states that

Except as otherwise provided ... every person ... owning a motor vehicle, trailer or semi-trailer intended to be operated on any highway in the state shall, before the same is so operated, apply to the Division [of Motor Vehicles] for and obtain the registration thereof and a certificate of title in the name of the owner. (19)

Registration and licensing are often confused with title registration discussed in the previous section because these operations, along with payment of the sales and use tax, usually occur simultaneously. "Registration" means the purchase of license tags, decals (for passenger automobiles), and a registration card which must be carried in the vehicle. "Title registration", on the other hand, refers to the establishment of a vehicle's ownership. The sales and use tax bears resemblance to the general sales tax. Title registration and a payment of sales and use tax occur only when a vehicle changes hands, while registration and licensing take place each year. Nearly every vehicle, including heavy tractor trailers (motor carriers), must display these tags, in addition to meeting all other requirements. The weight of the vehicle determines the fee for the license tag, which ranges from \$15 for private automobiles, to \$5 plus 70 cents per hundred pounds for some classes of common carriers, to \$12 per 1,000 lb. gross weight for certain for-hire property carriers. (20) Virginia Code Sections 46.1-149 through 46.1-157 contain comprehensive schedules enumerating the fees for these and other types of vehicles. The Code also provides, in Sections 46.1-45 through 46.1-46, for the exemption of vehicles such as those used for agriculture, horticulture, mining, and emergency medical services; golf carts; and vehicles driven by disabled persons. Also, although no fee is charged, Sections 46.1-49 and 46.1-50 require registration and licensing of vehicles used by the state and its agencies in consular and diplomatic offices.

When the General Assembly set up a staggered system of annual registration for passenger vehicles in 1972, the DMV began to issue

decals instead of the yearly license tags.⁽²¹⁾ Passenger car owners chose the month in which they wished to renew registration, and beginning in March and April of 1973 they received permanent license tags for their vehicles.⁽²²⁾ Since then, instead of purchasing new tags each year, these owners simply buy new decals indicating the month and year in which registration expires. Motor vehicles other than passenger cars, trailers, and semi-trailers came under the staggered registration system with applications for renewals in March and April 1975.⁽²³⁾

Collection Mechanism

The purchaser of a new or used vehicle can obtain license plates at a local DMV office, at the DMV office in Richmond, or from those persons authorized by the DMV to sell plates. The fees collected by branch offices and authorized agents are forwarded directly to the state treasurer for appropriation to the Highway Fund.

History

As previously stated, fees for motor vehicle licenses were the first revenue source for highway construction. "An act to regulate the running of automobiles...." was introduced in 1906 by Richard E. Byrd, Delegate from Frederick County. Seen as imposing "stringent regulations" on automobiles, the Act limited the speed of automobiles and required the registration of vehicles. Despite these "stringent regulations", house bill 98 became Chapter 299 on March 17, 1906, by a vote of 68-10. Specific provisions of the Act pertaining to registration required that each motor vehicle owner pay a fee of \$2 to the secretary of the Commonwealth for a "certificate of registration" and one license tag to be displayed on the rear of the vehicle. The certificate and the license tag were valid for the life of the vehicle. Of the \$2 fee, 50 cents was distributed to the clerk to cover expenses of issuing the certificate, and \$1.50 to the treasurer of the city or county in which the permit was issued for expenses entailed in the enforcement of the provisions of the law. During the balance of 1906, \$1,500 was collected from license fees.

In 1908 the General Assembly legislated that all revenues from license tags fees were to be placed in a fund for the development and maintenance of highways in Virginia.⁽²⁴⁾

Chapter 326, approved on March 17, 1910, changed the fees for licenses from a flat \$2 charge to fees based on manufacturer's rated horsepower. The charges were:

\$ 5	-	20 horsepower or less
\$10	-	20 to 45 horsepower
\$25	-	over 45 horsepower
\$ 2	-	motorcycle or motor bicycle
\$ 1	-	duplicate or transfer

The Act further provided that licenses were to be renewed annually and fees were to be prorated so that a person who purchased a vehicle toward the end of the license year would not be charged as much as one who bought his vehicle at the beginning of the license year.

The General Assembly later changed the basis for the license fee to 40 cents per horsepower and reduced the fee by one-half after September 1.⁽²⁵⁾ Additionally, the Legislature required that license plates be displayed on both the front and rear of the vehicle. It also granted cities and counties the right to sell their own license tags.

By 1918, the number of motor vehicle licenses and registrations issued had risen to 75,098 representing income of \$683,391.28 for that year.⁽²⁶⁾ The following year, the fees were raised to 60 cents per horsepower as rated by the Society of Automotive Engineers. Previously the horsepower had been determined by the manufacturer. The Acts of 1919 also set a schedule of minimum fees requiring -

- no less than \$10 for each automobile;
- no less than \$5 for each motorcycle;
- no less than \$2 for each side car; and,
- in the case of trucks, \$15 for the first ton and \$5 for each additional ton.⁽²⁷⁾

Approved on March 20, 1924, Chapter 330 raised the minimum license fee from \$10 to \$13.20 for private automobiles and continued the practice of basing fees for private trucks on tonnage. The basic 60 cents per horsepower was retained. Additionally, with the license fee ending on March 31, the fees were prorated to 1/2 on September 1 and to 1/4 on November 1. Another motor vehicle law, Chapter 366, provided for higher license fees for those who requested tags bearing specific numbers.

The years 1926 and 1934 saw first a rise and then a fall in motor vehicle license fees, as well as a change in the basis for the levy. Chapter 146 of the Acts of 1926 set the license at 70 cents per 100 lb. instead of 70 cents per horsepower. This fee was reduced in 1934 to 40 cents per 100 lb. with an \$8 minimum charge.

Nine years later, on January 1, 1943, the "Fenwick Law" (named after its sponsor) required that all trucks and trailers be licensed on the gross weight load of the vehicle or combinations. Signed into law as Chapter 377 of the Acts of 1943, this bill was an attempt to bring about license payments based on the wear a vehicle inflicted upon the highways.

The next change in licensing did not occur until June 19, 1946, when Chapter 196 (Section 35) reduced the license fee for private automobiles from 40 cents to 30 cents per 100 lb. based on the manufacturer's shipping weight. In addition, the minimum fee was reduced from \$8 to \$6. Contract carriers were assessed 1-1/2 times and common carriers 2-1/2 times the license fees paid on private automobiles. In 1948, however, the flat fee was set up for tractor trucks according to their use in order to simplify the computation of charges.

Two years later, the fee for private automobiles was raised to \$10.⁽²⁸⁾ Also, license fees for private vehicles carrying fewer than 8 passengers were set at 30 cents per 100 lb.⁽²⁹⁾ and tractor trucks at \$30 minus the gross weight registration fees.⁽³⁰⁾

The General Assembly of 1954 saw need to restructure the license fees for heavy vehicles. Sections 46-162, 46-145, 46-166 and 46-168 increased the fees for tractor trucks and lowered the fees for semi-trailers in order to place the major portion of the license fee on the power unit of the heavy vehicles. Additionally, Section 46.158.1 imposed a \$10 annual fee for buses carrying people to divine worship.

Chapter 218, Acts of 1964, implemented the basic registration fee for private motor vehicles. It also set up a fee schedule for various types and weights of vehicles which essentially is the one in use today. The transfer fee was increased to \$2 in 1970.

Among the recent changes are a decal system for license plates, for which provision is made in Code Section 46.1-101; reserved license plate numbers (Section 46.1-105.2); and the 1979 legislation repealing Section 46.1-154.2, which had provided specific fees for vehicles which were used to transport agricultural products and were owned by nonresidents of the state. The entire system providing for the staggering of registration and license dates throughout the calendar year for many vehicles (which includes the decal system) was implemented by Chapter 609, Acts of 1972. This Act amended and reenacted nearly 25 sections of the Code.

Chauffeurs and Operators Permits

Description

In addition to supervising the collection of the motor fuel and sales and use taxes and the registration fee for motor vehicles, the DMV regulates the operators of motor vehicles. The Virginia Code stipulates that

No person...shall drive any motor vehicle on any highway in this state until such person shall have made application for an operators or chauffeurs license...and satisfactorily passed the examination required.(31)

The term "operator of a motor vehicle" describes the driver; that is, the person in control of the motor vehicle. A chauffeur is employed for the purpose of operating a motor vehicle. Section 46.1-352 exempts operators of farm machinery, road rollers, and other heavy equipment from the requirements of this statute.

Generally, applicants for chauffeurs or operators permits must be 18 years of age; however, 16-year-old drivers may obtain these permits, provided they meet the qualifications outlined in Section 46.1-357. Furthermore, temporary instruction permits are available to persons over 15 years, 8 months of age. These permits enable the holder to drive when accompanied by a licensed driver in the vehicle. New Sections 46.1-368 through 370.1 describe the procedures for securing chauffeurs or operators permits. These sections require that the applicants furnish name, address, birthdate, social security number, and information concerning previously held drivers permits. Some drivers must, in accordance with the Drivers License Compact, surrender drivers permits issued in other states. Finally, the examination procedure and the road test are described. Section 46.1-375 also provides for the issuance of a color photograph bearing the applicant's signature and social security number to serve as a double check on the main portion of each drivers permit. Chauffeurs permits are subject to renewal every 2 years. Operators permits expire 4 years from the applicant's birthday month nearest to the month in which the license is issued. For example, if a person whose birthday is in September receives a drivers permit in August, it would expire 4 years and 1 month from the date of issue. Also, if a person born in July were issued a permit in October, this permit would expire in 3 years and 8 months.

Table 5 summarizes the fees and periods of validity for chauffeurs and operators permits. In fiscal year 1978-79, these fees generated approximately 14% of the amount received from state revenue sources.

Table 5

Summary of Drivers License Fees
Fiscal Year 1978-1979

Permit Type	Expiration Period, Yrs.	Original Fee	Renewal Fee	Duplicate Fee
Operators (Standard and Class)	4	\$ 9	\$ 9	\$3
Operators (Special Classes)(a)	4	12	12	3
Chauffeurs	2	12	12	3
Chauffeurs (Special Classes)(a)	2	15	15	3
Instruction	1	3		

(a)These pertain to drivers of heavy vehicles, buses, and motorcycles.

Source: Virginia Division of Motor Vehicles, Drivers Manual of Virginia, June 1979, p. 9.

Collection Mechanism

Chauffeurs and operators permits can be obtained at DMV branch offices or at the central office in Richmond. Like other funds received at these offices, the receipts from chauffeurs and operators permits are forwarded to the state treasurer. To provide for driver education programs in Virginia's public schools \$1.33 for each operators permit and \$2.66 for each chauffeurs permit sold goes to the Drivers Education Fund.* The Highway Fund receives the remainder, as provided in Section 46.1-381, to help the DMV meet its expenses.

*Va. Code Ann. Sec. 46.1-380.2(d)(1950). See Sec. 22-235.1 for a complete description of Virginia's driver education program.

History

The first year in which chauffeurs were required to obtain permits was 1910. In that year, the Legislature provided that every person who operated a "machine" for pay was required to obtain a permit. Chapter 326 specified a fee of \$2.50 and a statement of two reputable persons asserting the fitness of the applicant to drive. Each chauffeur so licensed received a badge and a license. The fees collected were set aside by the state treasurer into a special fund for highways. The \$2.50 fee remained in effect until 1919, when it was increased to \$5.⁽³²⁾

It was not until 1932 that operators of motor vehicles other than chauffeurs were required to be licensed. Not originally designated to produce revenue, the Chauffeur and Operator License Act was passed to combat the ever growing problems of the regulation of motor vehicles. Chapter 35 provided that an applicant for an operators permit be at least 16 years of age and that an applicant for a chauffeurs permit be at least 18. Section 106 further stipulated that those who received operators permits before July 1, 1933, were to pay no fee; after that date, however, applicants were required to pass an examination and pay fees of 50 cents for each operators permit and \$2 for each chauffeurs permit. Permits were valid for 1 year and on July 1, 1934, they were renewed at 50 cents for 5 years for an operators permit and \$5 for each chauffeurs permit.

The fees for chauffeurs and operators permits remained essentially the same until 1956, when the operators permit fee was increased from 50 cents to \$1 and the chauffeurs permit fee to \$2. Section 46-376 also provided that the DMV notify the permit holder before the expiration date. In 1962, the drivers permit fee was again raised, this time to \$2, and the permit was made valid for 3 years.⁽³³⁾ The chauffeurs permit fee was raised at that time to \$3. These fees were changed again in 1968, 1970, and 1976. The present rate structure was shown in Table 5.

There were other changes affecting the period of time for which both the operators and chauffeurs permits were valid. First, Section 46.1-380.1 provides that after July 1, 1970, the operators permit will expire 4 years from the holder's birthday month nearest to the month in which the license is issued. The chauffeurs permit expires after 2 years. In addition, under Section 46.1-379, a replacement fee of \$3 was instituted for the replacement of a lost or destroyed permit. Finally, the fees for special types of operators license (motorcycle, school bus, heavy truck) were changed (refer back to Table 5).

Dealer and Salesman Licenses

Description

The DMV also supervises motor vehicle dealers and salesmen. New and used vehicle dealers account for the majority of motor vehicle dealers in Virginia. Besides new (franchised) and used vehicle dealers, DMV distinguishes three additional classes of dealerships: (1) manufacturers of motor vehicles, and (2) distributors.

DMV regulations require annual registration of dealers and salesmen.⁽³⁴⁾ An applicant for a franchise dealer license must first send a letter of enfranchisement from the manufacturer of the product he wishes to sell and \$15 to the Dealer and Salesman License Department of the DMV. If the applicant's proposed place of business meets certain minimum standards, he receives his dealership certificate. At that time, the newly licensed dealer must purchase at least one salesman license at a fee of \$2. The purchase of this license entitles the dealer to buy two sets of dealer license tags for \$30 and additional sets for \$13 each.⁽³⁵⁾ Table 6 summarizes these fees.

Duly licensed dealers must purchase, for \$1 a set, not less than ten sets of temporary license plates at a time. Dealers sell these temporary tags to persons who purchase motor vehicles during hours when the DMV offices are closed. These tags become void after 30 days, upon receipt of current tags, or upon rescission of the purchase contract.⁽³⁶⁾ In addition to providing temporary license tags, motor vehicle dealers often accept applications for titles and forward them to the DMV as a courtesy to purchasers.⁽³⁷⁾

Collection Mechanism

All fees pertaining to dealer and salesman licensing are sent to the state treasurer, who credits them to the Highway Fund.

Table 6

Summary of Dealer and Salesman License Fees
Fiscal Year 1978-1979

<u>Types of License</u>	<u>Fee</u>
Dealer Licenses:	
Distributors and wholesalers	
Principal place of business	\$50
Each additional car lot (under certain specifications)	15
Manufacturers	50
Supplemental dealer licenses	
Distributors and wholesalers	15
Manufacturers (branch factory)	50
Salesman or factory representative license	5
Dealer license tags	
First two sets	30
Motorcycle	20
Each additional set	13
Motorcycle	9
Temporary license tags (each set) (a)	1

(a) Dealers must purchase at least ten sets of temporary tags at a time.

Source: Va. Code Ann. Secs. 46.1-121, 46.1-164, 46.1-528.

History

The first registration and licensing of dealers was implemented in 1910 by Chapter 326, Section 3b, which was part of the 2nd Historic Automobile Licensing Bill. That section required that every manufacturer, agent, or dealer annually obtain a dealer's certificate of registration and license. For a fee of \$50, the certificate of registration and license signed by the secretary of the Commonwealth was issued.⁽³⁸⁾ Then, in 1919, Section 2128 of the revised Code of 1919 was enacted and codified. While retaining the basic \$50 fee, the new section had the dealer receiving, in exchange for the payment thereof, three sets of number plates in addition to the certificate of registration and license. A \$15 fee was imposed for each set in excess of three.⁽³⁹⁾

The Uniform Title Law, which became effective July 1, 1924, contained a provision (in addition to those for titling) for the licensing of used car dealers. The same \$50 fee was levied, and full information on business operation was required. The law also stipulated that two reference letters from reputable citizens as to the dealers "good moral character" be submitted.⁽⁴⁰⁾

The Virginia Motor Vehicle Licensing Act (Chapter 406, Acts of 1944) made it mandatory for a dealer to maintain a respectable place of business subject to inspection.⁽⁴¹⁾ The fees set by that Act were reduced in 1946 for both the first set of plates and additional plates. The fees for dealers' license plates were reduced from \$35 to \$25 for the first two sets of plates, and from \$7.50 to \$6.00 for each additional set.⁽⁴²⁾ Chapter 470, Section 22-(a) of the Motor Vehicle Code, which went into effect June 29, 1948, did away with the provision restricting the use of dealer tags to vehicles being operated in connection with the dealer's business. That chapter also reduced to \$8 the fee for dealer tags in excess of two.⁽⁴³⁾

Section 46-105.2, Chapter 682, Acts of General Assembly 1952 permitted the use of dealer license plates on newly purchased vehicles, when such vehicles were sold and delivered during hours the DMV offices were closed. Such use was permitted for 5 days after purchase or delivery.⁽⁴⁴⁾ In 1956, Section 46-105.3 (See 46.1-121) of the Code established the present procedure for the issuance of temporary dealer's license tags. It was also in 1956 (Chapter 666, Acts of Assembly) that the DMV Commissioner was first instructed to distinguish between the various categories and types of dealers, and provision was made for appropriately designated plates for the different types. In 1976, the fees for dealer and salesman licenses were increased to the schedules shown previously in Table 6.⁽⁴⁵⁾

Mileage Permits

Description

The Highway and Transportation Department requires mileage permits for unlicensed or overweight vehicles because they inflict more wear and tear on highways than other vehicles such as passenger cars. Although the Highway and Transportation Department issues these permits, the DMV collects the fee.

When the owner of an unlicensed or overweight vehicle wishes to move it over Virginia roads, he must apply for a hauling permit at any office of the Department of Highways and Transportation. This permit enables the applicant to move the vehicle over the highways. The Department forwards a copy of the hauling permit, which contains information concerning the type of vehicle, its weight, and route of travel, to the DMV. The DMV, in turn, bills the applicant for mileage fees based on the number of miles traveled by the vehicle. One dollar per trip, regardless of the number of miles traveled, is levied on house trailers, while all other vehicles are subject to a fee of 10 cents per mile. During the year following the securing of a hauling permit, the holder must make monthly reports to the DMV, even if he makes no trips. After 1 year, the holder must apply for a new hauling permit and the process begins anew.

The 1974 General Assembly added two provisions affecting the movement of heavy vehicles. One concerns the one-time movement of heavy vehicles. These temporary, one-trip permits are available for vehicles titled in Virginia that would otherwise require registration and license tags. Applicants can obtain these permits, valid for 3 days, at local offices of the Highway and Transportation Department for a fee of \$5. In addition to paying this fee, applicants must specify the origin and destination of the trip to be made by the heavy vehicle.⁽⁴⁶⁾ Another provision of the 1974 legislation requires that owners of mobile homes in Virginia apply for title to their vehicles within 30 days of their arrival in the Commonwealth.⁽⁴⁷⁾

Collection Mechanism

Each day, the DMV central office forwards mileage permit fees to the state treasurer, who allocates these receipts to the Highway Fund.

History

Provision has been made in the Code for these mileage permits since at least 1962, when Section 46.1-43 was reenacted and amended in substantially its present form. As for the temporary mobile home registration, Chapter 85, Acts of 1956 enacted Section 46-44 of the Code to provide for temporary registration of mobile homes or house trailers which exceed the permitted size. Under this section, in order to move such vehicles on Virginia highways the owner is required to obtain a special permit issued by the DMV. The fee for each permit is \$1 and the purchaser is not subject to the mileage fee. (This law is the first attempt to regulate the occasional movement of mobile homes.)

Fees for Certifying, Copying and Recording Public Records

Description

Another function of the DMV is to maintain a file on and to make available a considerable amount of information about each person who owns or operates a motor vehicle. Section 46.1-31.2 of the Code states that a reasonable charge may be made for the furnishing of information relative to driving records and vehicle ownership, except that no fee shall be charged to any officials, including court and police officials, provided that the information requested is for official use. Under Section 46.1-31, the certificate containing the license number of a vehicle and the name and address of its owner can be furnished for \$1. A driving record, which might contain, for example, convictions and license revocations, will be certified for a \$2 fee. Whereas the certificate stating name, address, and license number is available to anyone, only an attorney, an insurance company, or a court of law may obtain certification of a driving record.⁽⁴⁸⁾ These records may be had from any branch office; however, certified copies can be obtained only from the DMV central office in Richmond.

Collection Mechanism

Anyone wishing to obtain public records can secure them at any branch office or the DMV central office in Richmond. When that office receives payments, it forwards them to the state treasurer. Section 46.1-35 of the Virginia Code provides that these revenues be used to help defray DMV expenses.

History

There is little specific information available concerning the origin and history of the certifying, copying, and recording fees. However, the initial charge for copying and certifying

records was 10 cents and the present code authorization was put into effect prior to 1950.

Fees for Service of Process Upon Nonresidents

Description

The fees for service of process upon nonresidents amount to but a small fraction of those collected by the DMV, and are collected when process is served upon a nonresident by the act of leaving a copy of the process or notice with the DMV commissioner. Such nonresidents fall into two categories:

- (1) Those who must, according to Code Section 46.1-134, register in the same manner as residents (i.e., persons who operate vehicles in Virginia for other than pleasure and who pass through the Commonwealth more than four times a month). Each of these persons, termed "nonresident owners," is also required to file with the DMV (along with his application for registration) a duly executed instrument naming the DMV commissioner as his attorney upon whom process would be served were any legal processing brought as the result of the use of the motor vehicle.(49)
- (2) Those who accept the rights and privileges conferred by the Code as evidenced by their (or their employee's or agent's) operation of a motor vehicle in Virginia. (This category includes any nonresident.) Such acceptance is deemed equivalent to an appointment of the DMV commissioner to be the nonresident's true and lawful attorney upon whom may be served all lawful process growing out of any accident or collision.(50)

Collection Mechanism

The fee collected in each case by the DMV is \$3 plus, in the second case above, \$1 additional for each defendant served after the first. The DMV, upon receiving such notice, forthwith sends the notice of service and copy of the process or notice by registered mail to the nonresident. These fees are later recovered from the defendant as part of the cost of the suit.(51)

The DMV forwards the fees for service of process to the Highway Fund.

History

Service of process was first provided for in 1932 (Acts, Section 23(b)). The director (as he was then called) of the DMV received such service and collected a fee identical to the \$3 charged at present. Although minor amendments have been made (for example, Chapter 680, Acts of 1970, amending Section 8-67.2 relating to how service of process shall be made), the basic concept has remained unchanged.

International Registration Plan

Code Section 46.1-157.1 entitled "Reciprocal agreements with other states...." enacted in 1974 empowers the Governor to enter into reciprocal agreements with other states, the District of Columbia, and states and provinces of other countries for assessing and collecting license fees for motor vehicles, road tractors, tractor trucks, trucks, trailers and semi-trailers as outlined in the International Registration Plan (IRP) of the American Association of Motor Vehicle Administrators.

At present, 23 states in this country participate in the Plan. Under the Plan, a person whose vehicle (weighing in excess of 26,000 lb. or having three or more axles) is registered in a member state can operate it, or allow it to be operated, in any other member state without being required to register it there. (For details on Virginia registration refer to the section of this report entitled, "motor vehicle licenses," page 18.)

Collection

Each year an owner or operator registered in Virginia reports to DMV a breakdown of the mileage traveled in all states between September 1 and August 31. The report is due no later than March of the following year. The owner or operator is assessed a fee based on the number of miles traveled in each state calculated according to the individual fee schedule of that state. Upon collection of assessed revenue, the DMV makes payments to IRP member states and the remainder is forwarded to the state treasurer for deposit in the Highway Fund.

In fiscal year 1978-79 the IRP revenues were the fifth highest contributor to the Fund, amounting to \$11,357,166.

History

Code Section 46.1-157.1, which enacted the IRP, was initiated by Act of the General Assembly, Chapter 326, in 1974. In 1978, this section was amended by deleting the words "having a licensed gross combined vehicle weight in excess of twenty-six thousand pounds."

Although vehicles in excess of 26,000 lb. are still required to be registered, this amendment allowed for the optional registration of vehicles of lesser weight.

Driver Improvement Clinic Fees

Description

In 1974 the Virginia General Assembly enacted the Virginia Driver Improvement Act to become effective January 1, 1975. The objective of the program is to identify and rehabilitate problem drivers before they lose their permits to drive. In order to administer this program a "point system" was developed through which a series of administrative actions are outlined for drivers accumulating a specified number of points. These administrative actions include advisory letters, group interviews, personal interviews, driver improvement clinics, license probation, and license suspension.

The driver improvement clinic consists of 8 hours of classroom instruction held in four weekly sessions. The objective of this clinic is to heighten the driver's awareness of the hazards of unsafe driving and to teach techniques of avoiding and preventing accidents.

The clinic is designed mainly for the problem driver, but is open to all drivers. The successful completion of the course earns 5 safe driving points which the driver can credit to his driving record. The fee for attending the course is \$20 (\$46.1-514.12).

Collection Mechanism

The \$20 fee is collected by the commissioner of the DMV and deposited in the Highway Fund through the state treasurer's office. This money is earmarked for the driver improvement account and is used to defray the cost of maintaining the driver improvement clinic.

History

The Virginia Driver Improvement Program, of which the driver improvement clinic is a part, was created by the 1974 Virginia General Assembly and went into effect January 1, 1975.

State Corporation Commission (SCC) Collections

The SCC dates back to 1806 and the creation of the Board of Public Works. The Board, charged with the regulation of such entities as railroad and turnpike companies, was very active until the War Between the States, when internal improvements (including roads) were of necessity neglected. Following the War, the Board became less and less active and, when control of the railroads was placed in a separate department, it became inactive until its abolition in 1902.⁽⁵³⁾ At that time, the present-day SCC was created by the newly drawn constitution as the governmental department which would regulate corporations. Its duties included the power to fix rates and to regulate the services of railroads and telephone companies, as well as to levy state taxes on railroads. Furthermore, the Commission was made a court of record with power to enforce its judgements. Among its other functions are the following which relate to highways, along with the year in which each commenced.

1. Regulation of transportation by motor carrier — 1923
2. Collection of gross receipts tax on common carriers by motor vehicle — 1932
3. Assessment and collection of motor fuel tax — 1940
4. Transferral from DMV of the responsibility for issuance of identification tags for commercial vehicles — 1954
5. Collection of surtax on motor fuel used within the Commonwealth by heavy vehicles — 1956
6. Motor Vehicle reciprocity — 1964⁽⁵⁴⁾

Prior to 1978 the SCC was responsible for the collection of (1) motor vehicle carrier permits, (2) motor carrier road taxes based on fuel consumption within the state, and (3) road taxes on motor vehicle passenger carriers calculated on gross receipts from operations within the Commonwealth. Chapter 673, Acts of 1978 repealed Sections 58-638 to 58-644 and thereby eliminated the road taxes on motor vehicle passenger carriers, which amounted to 2% of their receipts derived from operations in Virginia as shown in Table 7. This tax amounted to \$231,130 in 1978-79.

This section of the report contains a discussion of the remaining two sources: (1) motor vehicle carrier permits, and (2) motor carrier road taxes. The SCC keeps records of and receives applications from all motor carriers, both foreign and domestic, which operate in the Old Dominion. The revenues collected are paid into the Highway Fund, as are the majority of revenues collected by the DMV.⁽⁵²⁾ Table 7 is a summary of the highway revenues collected by the SCC.

Table 7

State Revenues for Highways Collected
by the State Corporation Commission
Fiscal Year 1978-1979

<u>Source</u>	<u>Amount Collected</u>	<u>Percentage</u>
Gross Earnings Road Tax(a)	\$ 231,130	0.04
Motor Vehicle Carrier Permits	1,899,797	0.36
Motor Fuel Road Tax(b)	_____	
Total Revenues Collected by SCC \$ 2,130,927		0.41
Total State Highway Revenues	\$522,700,013	100.00

(a) Amount shown was paid into funds prior to repeal of this tax on April 1, 1978.

(b) Included in figure for motor fuel tax in Table 1.

Source: Report of the Comptroller, 1978.

Motor Vehicle Carrier Permits

Description

A passenger vehicle operated for compensation with seats for more than seven passengers, a tractor truck, or a truck having more than two axles which is not required by law to display license plates issued by DMV cannot be operated until having been issued a registration card or stamp and an identification marker.

The SCC issues four types of motor carrier permits:* (1) certificates of public convenience, (2) warrants or exemptions, (3) registration cards, and (4) emergency telegrams. The examples below illustrate the process of securing the permits required for

*The term "carrier" refers to any person who undertakes to transport passengers or property for the general public by motor vehicle for compensation over the highways of the State. Va. Code Ann. Sec. 56-273 (1950).

doing business in Virginia. However, before motor carriers apply for permission to operate, they must pay any road taxes due, secure the amount of insurance required by Virginia law, appoint an agent on whom process may be served, and fulfill any requirements imposed by the Interstate Commerce Commission.

Certificates of Convenience. Prior to commencing intrastate operations, a motor carrier must file an application with and receive from the SCC a certificate of necessity and convenience.⁽⁵⁵⁾ The SCC's decision to issue a certificate of necessity and convenience may be based on, among others, four criteria: (1) the present transportation facilities over the applicant's proposed service route, or service area in the case of passenger carriers; (2) the traffic volume over such route; (3) the applicant's financial situation; and (4) the condition of highways over the proposed service route.⁽⁵⁶⁾ The fees pertaining to filing and issuance of this certificate and other permits appear in Table 8.

Warrants and Exemptions. The SCC issues all motor carriers possessing certificates of convenience warrants or exemption cards in order to aid in the collection of the fuel tax. Each vehicle that pays taxes on motor or diesel fuel must obtain a warrant, which remains inside the vehicle at all times. On the outside of the vehicle, classification plates bearing the same number as the warrant must be displayed. Exemption cards are provided for vehicles not subject to the fuel tax.* Like the warrants for vehicles affected by the provisions of the fuel tax acts, exemption cards are carried inside the vehicle and classification plates having a number identical to that on the exemption card are placed outside the vehicle.⁽⁵⁷⁾

Registration Cards. The SCC demands that motor carriers not required to secure licenses and to register with the DMV obtain registration cards. In addition to certificates of convenience, warrants or exemptions, and classification plates, these carriers must possess registration cards issued by the SCC. The operator of the vehicle retains possession of the registration card and a marker is displayed outside the vehicle (along with the classification plate). For some vehicles, a stamp is attached to the registration card instead of placing markers outside the vehicle.⁽⁵⁸⁾

Emergency Telegrams. In certain emergency situations the SCC issues a letter, or a telegram, authorizing a motor carrier to operate without obtaining a registration card, warrant or exemption card. This telegram permits such operation for not more than 10 days for a fee of \$10.⁽⁵⁹⁾

*See Va. Code Section 56-274 for a complete list of exempted motor vehicles.

Table 8

Summary of Motor Carrier Permits and Fees
Fiscal Year 1978-1979

	Original	Duplicate	Lease Approval	Transfer	Expiration Period
Certificates of Convenience	\$50	\$3	\$5	\$50	None
Warrants or Exemption Cards					
Passenger Carriers	1				1 year
Property Carriers	1(a)				1 year
Registration Cards (b)					
Passenger Carriers	1				1 year
Property Carriers	2				1 year
Emergency Telegrams	10				10 days

(a) May be increased to \$3 at the discretion of the SCC Commissioner. Va. Code Ann. Sec. 56-304.4 (1950).
 (b) Required for vehicles not registered with the DMV.

Source: Va. Code Ann. Secs. 56-291.13, 56-304.4, 56-304.9.

Collection Mechanism

Table 8 lists the fees and periods of validity for the various motor carrier permits. The SCC forwards the receipts to the Highway Fund. (60)

The history of this revenue is given later with that of the motor carrier road tax.

Motor Carrier Road Tax Based on Fuel Used Within the State

Description

In addition to issuing permits to motor carriers, the SCC supervises the collection of the fuel taxes from them. Although motor carriers pay a 9 cents per gallon tax on fuel at the pump as do passenger cars, their actual tax differs from that amount. Property carriers are taxed at the rate of 11 cents per gallon on fuel used for conducting business in the Commonwealth. Each vehicle subject to these road taxes is entitled to a credit of 9 cents on each gallon of Virginia bought fuel toward payment of the motor fuel road tax. If the tax liability exceeds the amount of accumulated credit from Virginia purchases, the carrier must pay the difference. Although refunds are authorized in the event of overpayment of this tax, most operators prefer to build up credit.

Since the number of gallons of fuel used in Virginia is the basis for taxation, the determination of a carrier's total tax liability is often difficult. This liability is calculated as

Fuel used in Virginia =

$$\text{Fuel used in all operations} \times \frac{\text{miles traveled in Virginia}}{\text{miles traveled in total operations}}$$

The determination of the tax liability is complicated because carriers frequently operate fleets of trucks and submit reports in aggregate figures. (61)

Collection Mechanism

The Division of Motor Carrier Taxation of the SCC administers the collection of the motor fuel road tax. Motor carriers must submit quarterly reports along with payment of these taxes. Upon receipt of the tax payments, the SCC forwards them to the Highway Fund. (62)

History

Since the histories of the three broad categories of revenue collected by the SCC are somewhat intermingled, they are discussed together.

The first evidence of legislation addressing the special category of common carriers was found in Chapter 161 of the Acts of 1923. The Act provided for the definition, regulation, supervision, and control of common carriers, and imposed license fees. The responsibility for enforcing the provisions of the Act was placed in the SCC. The rather complex schedule of classifications set up required passenger-carrying vehicles to pay fees on the basis of passenger miles and seating capacity, and freight-carrying vehicles to pay on the basis of ton miles. This early motor carrier law was amended by the "Bus Law," Chapter 222 of the Acts of 1924, to exclude contract carriers, although their operators were required to obtain permits from the SCC. No provision had been made for such for-hire vehicles in 1923. The schedule of classification was retained, with charter operators paying fees on the basis of "per passenger seat, multiplied by the total number of miles traveled" plus a flat assessment for operation, and property carriers paying on the basis of "per ton-mile, multiplied by the number of miles traveled." Exempted were interstate carriers, farmers and dairymen, and city bus companies. (63)

Passed in 1926, Chapter 551 radically amended the 1924 legislation. The discretionary powers of the SCC over the issuance of carriers certificates was broadened and its inspection powers were strengthened. The fee schedule, while calculated on the same basis, was changed again, with six classes of certificates being made available. Chapter 474 of the Acts of 1926 authorized the SCC to grant certificates of convenience and necessity to motor carriers engaged in the interstate transportation of persons or property for compensation. Formerly, the SCC had possessed the power to regulate only vehicles involved in intrastate commerce. (64)

At the request of the State Senate, the SCC submitted a monumental report on Motor Vehicle Transportation Facilities within the State to the General Assembly in 1930. Among its recommendations were: the removal of the passenger seating capacity/mileage tax; the taxation of carriers based on weight (the same manner that passenger cars are taxed); and the initiation of a 1½% gross receipts tax on common carriers based on the volume of business done in the state. It was felt that such changes would result in a more equitable distribution of the tax burden than had been the case while generating approximately the same revenue. Also, the gross receipts tax would permit a part of the tax to vary with the magnitude of business. Following these suggestions, the General Assembly enacted the first gross

receipts tax in 1930, which was payable quarterly to the state treasurer.(65) The fee was raised to 2% in 1932.(66) Although this tax was later repealed, it was reinstated in 1942.

Chapter 360 of the Acts of 1932 required motor vehicle common carriers to obtain registration plates and imposed certain taxes or license fees. If passenger carriers operated either partly or entirely in interstate commerce, an annual rate of 70 cents per 100 lb. was charged. A fee of \$25 was assessed for each application to the SCC for a certificate.(67)

Chapter 198, Acts of 1940 first required motor carriers holding certificates and/or permits issued by the SCC to purchase an amount of motor fuel in Virginia commensurate with the mileage traveled in this state. This Act presented a problem because no provision was made for credit or cash refunds if the amount of fuel purchased was not commensurate with the number of miles traveled in Virginia. This problem was remedied in 1942 by Chapter 108, which provided for payments to the State Treasury and administration by the SCC, in addition to the provision of the earlier act (Chapter 198).(68) Chapter 270, Acts of 1946 repealing Chapter 108 had the practical effect of requiring motor carriers to purchase Virginia taxed motor fuel commensurate with the number of miles operated in Virginia.(69)

In 1941, the Department of Highways submitted the recommendation that the rated capacity method of licensing be abolished in favor of the gross vehicle weight base.(70) This change was accomplished in 1942.(71)

In 1946, Section 36 of the Motor Vehicle Code was amended to waive the 2% gross receipts tax on for-hire motor carriers of property, although passenger carriers were still required to pay the tax. It had been temporarily suspended during the wartime emergency. However, effective January 1, 1949, the tax was reapplied to property carriers.(72)

In 1954, Chapter 341 of the Acts transferred the responsibility for the general area relating to motor vehicle carriers permits from the DMV to the SCC. That the 1954 Act embodied most of the present system in this area, as described above. Also in 1954, urban bus systems were exempted from the gross receipts tax. In 1958, provision was made to allow assigned numbers to be painted on the vehicles in lieu of use of the standard classification plates. More importantly, it was in 1958 (Chapter 130 of the Acts) that the emergency letter, or telegram, referred to above was authorized. Valid for 10 days, such a letter or telegram required a fee of \$5, which was later increased to \$10.

In the late 1950's the gross receipts tax on property carriers was replaced by the higher road tax on fuel consumed in Virginia which is presently paid by such carriers. This road tax was (and is) the equivalent of 2 cents a gallon, in addition to the regular 9 cents a gallon motor fuel tax.⁽⁷³⁾ Thus, as the motor fuel tax has been increased, the road tax on fuel consumed also has been increased, but not proportionally.

In 1968 provision was made for the "stamps" discussed above with reference to motor vehicle carrier permits. Motor fuel sold to the state or its political subdivisions was exempted from the road tax on motor fuel in 1972.

A 1978 amendment to Section 58-628 increased the amount of the road tax from 9 cents to 11 cents per gallon of fuel consumed; however, a 1979 amendment exempted "motor carriers of passengers", thus restricting this tax to "motor carriers of property".

Another significant change in the taxes collected by the SCC was the repeal of the road tax on motor carriers of passengers based on gross receipts by the 1978 Acts of the General Assembly cited in Chapter 673.

Court or Commonwealth's Attorney Collections

Until repeal of Code Section 14.1-200.1, "Reportable Violations", by the Acts of 1975 Chapter 591, the commonwealth's attorney collected three revenues. Presently two revenues of relatively small amounts are collected by either the courts or the commonwealth's attorney, depending upon the practice prevalent in a given jurisdiction. Regardless of the amount of revenue collected, the courts and the commonwealth's attorney are instrumental in the enforcement of Virginia's motor vehicle laws, which makes this revenue important enough for inclusion in this report. A summary of these receipts for fiscal year 1978-79 can be found in Table 9, and the revenue sources are discussed in the succeeding paragraphs.

Liquidated Damages for Violation of Weight Limits

Description

Section 46.1-342 of the Virginia Code provides for the assessment of liquidated damages against anyone who violates either weight limits or a provision contained in a permit issued by the Highway and Transportation Commission or local authority. The penalty fee varies from 2 to 10 cents per pound in excess of the limit.

Table 9

State Revenues for Highways Collected by the
Court or Commonwealth's Attorney
Fiscal Year 1978-1979

<u>Source</u>	<u>Amount Collected</u>	<u>Percentage</u>
Liquidated Damages for Violation of Weight Limits	\$ 1,798,465	0.344
DMV Weighing Fees	35,077	0.007
Total Collections by Court	\$ 1,833,542	0.351
Total Highway Fund	\$522,700,013	100.000

Note:

Details may not add to totals due to rounding.

Source: Report of the Comptroller, 1978.

Collection Mechanism

The court or the commonwealth's attorney collects payments for liquidated damages. These fees are transmitted to the state treasurer for allocation to the Highway Fund.

History

The first evidence of a law fixing maximum weights and imposing fines for violation of the weight laws is found in the Acts of 1919, Chapter 35. This provision stated that drivers of overweight trucks were guilty of misdemeanors and would be fined not less than \$20 nor more than \$80. Then, in 1934, Chapter 35 of the Acts was redesigned with the intention of protecting Virginia highways from undue damage or strain. It required that weight limits be posted on each roadway. Penalties for violation of these limits were set at not less than \$10 nor more than \$500 and/or a prison sentence of not more than 6 months.

Chapter 510 of the Acts of 1948 permitted an increase in the weight of loaded vehicles on Virginia's roads and provided

a \$2 penalty for each 100 lb. over the legal weight, in addition to all other penalties. Procedures to be followed and penalties to be imposed when a vehicle was determined to be overweight were further enumerated in Chapter 215 of the Acts of 1956 (Code Section 46-335.1). This Act also provided for the collection of the assessed damages by the court and payment of them into the State Treasury. In 1958, it was provided that judgements obtained under this system constituted a lien upon the vehicle. A levy of 10 cents per pound in excess of the limit (in certain circumstances) was authorized in 1968.

Weighing Fees

Description

When the driver of an overloaded vehicle (1) is convicted, (2) forfeits bail, or (3) must purchase an increased license, the court or commonwealth's attorney collects weighing fees, in addition to other penalties. According to Virginia Code Section 46.1-347, the weighing fee amounts to \$2. The penalties for such misdemeanors, range from \$10 to no more than \$100.

Collection Mechanism

After receipt by the state treasurer, weighing fees are allocated to the Highway Fund and earmarked for the administration of the State Police.

History

Weighing fees first appeared in Chapter 430 in the Acts of 1942, where it was provided that the fees be collected by the same court in which the violator is convicted.

Department of State Police Collections

The history of the Department of State Police closely parallels the evolution of the DMV. Originally denoted the Highway Patrol, the Department was instituted on January 28, 1924, along with the DMV. Section 6 of Chapter 99 of that year's Acts invested the Highway Patrol with the powers of a sheriff. When the State Police separated from the DMV in 1942, Chapter 232 provided for a Superintendent of Police.

Although the State Police collect only one item of revenue, "fees for approval certificates," they, like the courts and commonwealth's attorneys, are essential to the enforcement of the Commonwealth's motor vehicle laws. For example, it is the State Police who upon suspecting a vehicle of being overloaded, take it into custody for weighing. As are the DMV and the SCC, the Department is partially supported by revenues from the Highway Fund.

Fees for Issuing Certificates of Approval for Lighting, Warning Signals, and Brake Testing Devices

Description

Upon application from those wishing to have devices on their vehicles inspected (such as headlamps, safety glass, or safety belts), the State Police inspect such devices for fees ranging from \$50 to \$150 depending upon the type of equipment inspected. If the devices pass this inspection, the Superintendent of State Police issues a certificate of approval. Virginia Code Sections 46.1-311 through 46.1-314.1 list the procedure for approval of equipment and the types of equipment affected by this provision. In 1979 these fees amounted to \$19,475.

Collection Mechanism

Like the receipts from weighing fees, fees for approval certificates are channeled to the Highway Fund for maintenance of the State Police.

History

Generally speaking, the activities of the State Police relating to the Department of Highways and Transportation have remained the same since 1956, when Section 46-316 of the Code was implemented by Chapter 36 of the Acts of that year.

Department of Highways & Transportation Collections

Although the Department of Highways and Transportation collects only about 8% of the state-generated revenues for highway construction and maintenance, it is totally supported by the Highway Fund. The policy and direction of the Department are guided by eleven commissioners appointed by the Governor for 4-year terms subject to approval by the General Assembly. (74)

The Commission is made up of representatives from each of the eight construction districts and two members chosen from the state at large — one residing in a metropolitan area and the other in a nonmetropolitan area. The eleventh member and chairman is the State Highway and Transportation Commissioner.(75)

The state first assumed responsibility for its roads in 1723, when the first colony-wide public levy was imposed to support military defense against the Iroquois.(76) The Commonwealth again became involved in roads in 1785, when the counties failed in their individual attempts to supervise road building. One of the most popular methods of state assistance consisted of the appropriation of certain arrears on a county's public taxes specifically for road purposes to be repaid in specie or in equivalent road work.(77)

In 1816, the Commonwealth became further involved in the road business with the creation of the Board of Public Works, which assumed control of the assets of one turnpike company, four canal companies, and two banks. The funds received from these assets were to be invested in selected public works, one of which was road building.(78) Many highway projects were completed between 1816 and the commencement of the War Between the States, after which the Commonwealth's road activities practically ceased.

Virginia's interest in roads was formally revived on July 1, 1906, when the first chairman of the Highway Commission, P. St. Julien Wilson, assumed office. He and his three fellow commissioners acted principally as advisors to the counties on methods of road construction and improvements. The commissioners also approved the distribution of state aid to those counties able to match state appropriations.

A state highway system, comprising today's primary system, was formed in 1918; into it were incorporated 4,002 miles of roads formerly under county supervision.(79) By 1930, 3,147 miles had been added to the system,(80) and by 1932 the state had assumed jurisdiction over all public roads as provided by the Byrd Road Law (Secondary Road Act).

On July 1, 1974, the Virginia Department of Highways became the Virginia Department of Highways and Transportation. The newly created Highway and Transportation Commission assumed responsibility for the development and coordination of unified transportation plans, not only for highway and mass transit systems, but also for air and water transportation systems. Several changes in the structure of the Commission and the Department, as described earlier in this report, were made in order to assign additional powers and duties to the Commission.

The activities discussed in the following sections represent a mere fraction of the Commission's involvement in road building and transportation planning. A summary of the Department's collections appears in Table 10.

Table 10

State Revenues for Highways Collected
by the Virginia Department of Highways & Transportation
Fiscal Year 1978-1979

<u>Source</u>	<u>Amount Collected</u>	<u>Percentage</u>
Receipts for Road Work	\$10,348,427	1.980
Hauling Permits	271,610	0.052
Highway Permits	191,433	0.037
Mileage Permits	172,802	0.033
Miscellaneous Revenues:		
Fine for Littering	\$ 968	
Land & Building Sales	239,055	
Rental of Land & Building	5,777	
Outdoor Advertising	66,701	
Jamestown Ferry Tolls	265,920	
Other Miscellaneous	17,231	0.001
Tolls for Revenue Bond Projects:		
Norfolk-Virginia Beach	6,118,914	
Elizabeth River	5,828,025	
Richmond-Petersburg	18,611,680	30,558,619 5.850
Total Revenues Collected by VDH&T	\$42,138,543	8.062
Total State Highway Revenues	\$522,700,013	100.000

Receipts from Cities, Counties, and Towns for Road Work

Description

Upon request by cities, counties, or towns, the Department of Highways and Transportation provides extra features in addition to those incorporated into a basic road project. For example, a locality may desire gutters, drainage facilities, or other items which require special equipment for a primary road passing through its limits. Since the Department is not under statutory compulsion to provide such facilities, localities must pay for these services.

Collection Mechanism

Localities forward payments for road work to the Department, which passes them on to the state treasurer to be placed in the Highway Fund.

History

These payments have been authorized in the Code for at least 20 years.

Hauling Permits

Description

The issuance of hauling permits constitutes another revenue-producing function of the Department. A previous section describing mileage permits also referred to hauling permits. Since applicants obtain these two permits simultaneously, it is confusing to discuss them separately. However, two important differences distinguish the two: (1) the nature of the fee; and (2) the agency which receives credit for each levy.

As is the case for mileage permits, applicants for hauling permits may secure them from any local Department office. In contrast to the charges for mileage permits, which are based on miles traveled or trips taken, a flat fee of \$5 is charged for each hauling permit. The permit remains valid for 1 year, after which it must be renewed along with the mileage permit. Unlike fees for mileage permits, which are credited to the DMV, the receipts from hauling permits represent revenue produced by the Department.

Collection Mechanism

Localities forward payments for road work to the Department, which passes them on to the state treasurer to be placed in the Highway Fund.

History

The system for issuing hauling permits has been authorized in the Code for at least two decades, with no major changes having been made in the pertinent Code section during that period.

Highway Permits

Description

Highway permits, synonymously referred to as land-use permits, are issued whenever anyone encroaches on rights-of-way belonging to the Highway and Transportation Commission. Such encroachments are made for various reasons, including such diverse operations as the stringing of telephone or electric wires over a roadway, the installation of roadside telephones, the construction of underpasses by private parties, or the building of driveways leading to business establishments. Before proceeding with a proposed project, a builder must apply for a highway permit at any local office of the Department. In addition, he must post bond, the amount of which depends on the type of project, in order to cover any damages inflicted on the right-of-way. The Department refunds the amount of bond posted, if the completed project meets with the approval of the inspectors. Besides posting bond, the applicant must pay an inspection fee of \$15.00 plus an additional charge ranging from \$2.00 to \$2.50, depending upon the scope of the project.

In summary, anyone wishing to do work affecting rights-of-way belonging to the Highway and Transportation Commission must pay

Bond		Minimum Fee	+	Additional Charge
(determined by type	+	\$15		(depending on
of project)				scope of project).

Collection Mechanism

The Residency Offices of the Department send the revenues from highway permits to the respective District Offices. The District Offices forward these receipts to the state treasurer for deposit into the Highway Fund.

Tolls Collected from Revenue Bond Projects

Description

The Virginia Department of Highways and Transportation has financed the construction of several projects by floating revenue bonds. Tolls levied on the users of these facilities are collected in order to retire the bonds and to pay the interest on them. After sufficient amounts are set aside for maintenance, operations, and interest payments, the remaining toll receipts are placed in a sinking fund for amortizing the bonds. Virginia Code Sections 33.1-267 to 33.1-320 describe these projects and their collection mechanism.

Toll revenues account for 5.86% of the funds collected by the Department for fiscal year 1978-79. These tolls are collected from revenue bond projects which include (1) those built under the provisions of the State Revenue Bond Act; (2) state turnpike projects; (3) the Elizabeth River Tunnel; and (4) the Richmond-Petersburg Turnpike.

Collection Mechanism

Tolls collected at the various toll facilities are sent to the state treasurer. The treasurer keeps a separate account for each revenue bond project to ensure that these funds are not diverted to other uses.

History

The State Revenue Bond Act, amended by Chapter 110 of Acts of 1950, was in the same basic format as the present one. Although the Act has been amended seven times since 1950, the revisions have been of minor consequence. The Act relating to turnpike projects (Article 6) was first enacted in 1952 (Chapter 223), when it added Sections 33-255.1 through 33-255.22 to Title 33 of the Code. This Act was basically the same as the present Article 6; it provided for the financing of the construction of turnpike projects by the issuance of revenue bonds of the Commonwealth, payable solely from tolls and other revenues, as well as the commingling of funds cited above.

Nearly all bond revenues are received from tolls. The 1954 series of revenue bonds are bridge and ferry tolls; the 1965 series are highway tolls from the Virginia Beach-Norfolk Expressway. The projects from which these tolls are received, enumerated in Code Section 33.1-268, were financed principally from revenue bonds of the state (payable from earnings) which the Commission is

empowered by Code Section 33.1-269 to issue. (Included in the list of projects are various bridges, tunnels, and highways around the state.) However, not all revenues for these projects are derived from tolls. To augment the capital raised by issuing these bonds, the Commission is authorized by Code Section 33.1-288 to use money from the Highway Fund to aid in payment of the cost, maintenance, repair, or operation of toll revenue projects as well as to help meet interest payments on the bonds. Thus, it is clear that a commingling of funds received under this Act and monies from the Highway Fund is authorized within construction districts.

The monies received under this Act, whether as proceeds from the sale of bonds, or grants or other contributions, or as tolls and revenue are placed in the State Treasury. The comptroller carries them in special accounts, specifically appropriated to the Commission for the purpose of carrying out the provisions of the Article.

The Revenue Bond Act also authorizes the Commission to establish the tolls to be charged for each project in order to ensure that all the revenues from the project are sufficient to pay maintenance and operational costs, as well as to pay for the bonds which fall due and the interest on the bonds.⁽⁸²⁾ Additionally, the Commission is empowered to set up a sinking fund to ensure repayment of single issue bonds.⁽⁸³⁾ Furthermore, contributions may be accepted to be used in carrying out the provisions of this Article.⁽⁸⁴⁾ When an original bond issue is retired, tolls may be eliminated.⁽⁸⁵⁾

Article 6, "State Turnpike Projects," contains many provisions similar to those in Article 5. Unlike the Revenue Bond Act, it does not enumerate specific projects. It does have a provision for a commingling of funds similar to that found in Article 5.⁽⁸⁶⁾

Miscellaneous Revenues

The Department collects several miscellaneous revenues which include land and building sales, rental of land and buildings, proceeds from the sale of surplus property, and refund of expenditures from prior years. Since these revenues are considered to be self-explanatory little investigation was conducted regarding them.

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APPENDIX A

DMV Collection

Revenue Collections, Refunds Paid and Net Revenues

	<u>Total Collections</u>	<u>Refunds Paid</u>	<u>Net Revenue</u>
HIGHWAY REVENUES:			
Motor Fuel Taxes	\$287,748,816	\$5,530,436	\$282,218,380
Sales and Use Tax	72,900,245	35,190	72,865,055
Rental Tax	2,741,998	68	2,741,930
Mobile Home Sales Tax	5,685	-	5,685
Title Fees	7,743,528	526	7,743,002
International Registration Plan	11,446,729	129,024	11,317,705
Motor Vehicle License Fees	75,078,107	760,055	74,318,052
Driver License Fees	9,395,386	11,018	9,384,368
Dealer License Fees	390,258	154	390,104
Mileage Permits	150,505	42	150,463
Copying and Certifying Fees	3,405,966	15,783	3,390,183
Nonresident Service Fees	14,926	259	14,667
Recovery Fees	153,542	5,795	147,747
Reinstatement Fees	948,568	26,003	922,565
Uncollected Check Fees	42,698	208	42,490
Reserved License Fees	802,309	1,171	801,138
Driver Improvement Clinic Fees	103,549	160	103,389
Miscellaneous Fees	79,281	1,472	77,809
Surplus Property Sales	4,549	-	4,549
TOTAL HIGHWAY REVENUE	\$473,156,645	\$6,517,364	\$466,639,281
Title Fees for Distribution to Localities	2,851,012	2	2,851,010
Mobile Homes Sales Tax for Distribution to Localities	3,616,323	-	3,616,323
Parking	31,287	3	31,284
Uninsured Motorist Fees	2,771,832	32,490	2,739,342
Aviation Fuel Tax	1,287,227	90,838	1,196,389
Driver Education Fund	1,952,022	1,171	1,950,851
TOTAL REVENUES	\$485,666,348	\$6,641,868	\$479,024,480

Source: Biennial Report 1977-'79, Virginia Division of Motor Vehicles, pg. 22.

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