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DATE: March 12, 2020
TO: All Interested Parties
FROM: Jeremy Thompson, Manager of Policy & Planning
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RE: Summary of H.4508 - *An Act relative to transportation finance*

Bill Tracking: H.4285 → H. 4508 (amendments) → H. 4530

On Wednesday, February 26th, the House of Representatives released their long-anticipated transportation revenue package. In its current form, the package would raise an annual \$600 million dedicated exclusively to transportation spending. This memo is intended to clarify some of the important takeaways. The bill passed the full House on Wednesday, March 4th, on a 113-40 vote. The measure now advances to the Senate for consideration.

Dedicated Revenue Streams: H.4530 will make some distributive changes within the Commonwealth Transportation Fund. The bill will continue to annually direct \$160 million and \$15 million to the MBTA and RTAs respectively (in addition to annual base funding) but will add an additional \$12 million for Rural Transit Assistance. Eligible organizations (RTAs, TMAs, transportation providers, COAs) can apply for Rural Transit Assistance to offset capital, planning, and operating costs.

Up until FY20, Chapter 29, Section 2ZZZ was allocating money from the General Fund to the Commonwealth Transportation Fund (CPT) in the following amounts:

FY15	\$75m
FY16	\$96m
FY17	\$40m
FY18	\$40m
FY19	\$120m
FY20	\$210m

Although this provision does not extend beyond FY20, H.4530 seeks to redistribute funds to CPT differently, by altering the corporate minimum tax brackets, and redirecting \$150 million of annual revenue to the CPT.

Annual funding for RTAs is allocated entirely from the Commonwealth Transportation Fund¹ and distributed by the Rail and Transit Division (RTD) of MassDOT. RTD's Community Transit Program Unit oversees all programs that fund RTAs and distribute the annual base and discretionary funding.

¹ <https://budget.digital.mass.gov/govbudget/fy21/static/fy2021h2-0998325dcefcfd40c391f8a106710b99.pdf>

The Executive Office of Administration and Finance provides state contract assistance to RTAs, funding them at 50% of the net cost of the service the RTA provides.²

Gas Tax:

The state currently taxes gas at 24¢/gallon with an additional 2.6¢ underground fuel tank cleanup charge.³ H.4508 bumps the gas tax up modestly to 29¢/gallon and leaves the underground fuel tank cleanup charge undisturbed. Consumers will thus go from paying 26.6¢/gallon to 31.6¢/gallon.

Diesel is also currently taxed at 24¢/gallon, but the bill will bifurcate the tax rate by fuel type. Diesel will be subject to a 9¢ increase and will continue to be subjected to a 2.6¢ underground fuel tank cleanup charge. This will bring the diesel tax from 26.6¢/gallon to 35.6¢/gallon.

How much revenue does the current gas tax rate raise annually? - In FY18, motor fuels taxes generated \$769.1 million (at 26.6¢) per gallon.⁴ In the midst of the recession in FY09 (when gas tax was 3 cents lower), the motor fuels tax only generated \$655 million in revenue.⁵

How much additional revenue will the new gas tax generate? - According State House News Service, the proposed motor fuel tax is projected to generate an additional \$150-175 million for gas and \$32 million for diesel.

Where does motor vehicles tax revenue go? - 100% of revenue generated from the motor fuel tax goes into the Commonwealth Transportation Fund.

How does the gas tax compare to other New England states? - Massachusetts currently has the second lowest gas and diesel tax rate of the New England states.

State	Gas	State	Diesel
Connecticut	43.8¢	Connecticut	43.8¢
Rhode Island	34¢	H.4530	35.6¢
H.4530	31.6¢	Rhode Island	34¢
Vermont	31.22¢	Vermont	32¢
Maine	30.01¢	Maine	31.21¢
Massachusetts	26.54¢	Massachusetts	26.54¢
New Hampshire	23.83¢	New Hampshire	23.83¢

Corporate Minimum Tax

H.4530 both simplifies and brackets the corporate minimum tax as follows:

(1) If the total sales of the corporation in the commonwealth during the taxable year, as determined pursuant to subsection (f) of section 38, are less than \$1,000,000, the minimum tax shall be \$456.

² <https://www.mass.gov/info-details/overview-of-the-franklin-regional-transit-authority>

³ <https://www.mass.gov/service-details/massachusetts-retail-gasoline-diesel-fuel-prices>

⁴

http://www.massbudget.org/report_window.php?loc=The%20Pros%20and%20Cons%20of%20Higher%20Gas%20Taxes,%20and%20How%20They%20Could%20be%20Offset%20for%20Lower-Income%20Families%20-%20MassBudget.html

⁵ https://www.masslive.com/politics/2016/07/massachusetts_motor_fuels_tax.html

(2) If the total sales of the corporation in the commonwealth during the taxable year, as determined pursuant to subsection (f) of section 38, are equal to or greater than \$1,000,000 and less than \$5,000,000, the minimum tax shall be \$1,500.

(3) If the total sales of the corporation in the commonwealth during the taxable year, as determined pursuant to subsection (f) of section 38, are equal to or greater than \$5,000,000 and less than \$10,000,000, the minimum tax shall be \$2,500.

(4) If the total sales of the corporation in the commonwealth during the taxable year, as determined pursuant to subsection (f) of section 38, are equal to or greater than \$10,000,000 and less than \$25,000,000, the minimum tax shall be \$3,500.

(5) If the total sales of the corporation in the commonwealth during the taxable year, as determined pursuant to subsection (f) of section 38, are equal to or greater than \$25,000,000 and less than \$50,000,000, the minimum tax shall be \$5,000.

(6) If the total sales of the corporation in the commonwealth during the taxable year, as determined pursuant to subsection (f) of section 38, are equal to or greater than \$50,000,000 and less than \$100,000,000, the minimum tax shall be \$10,000.

(7) If the total sales of the corporation in the commonwealth during the taxable year, as determined pursuant to subsection (f) of section 38, are equal to or greater than \$100,000,000 and less than \$500,000,000, the minimum tax shall be \$25,000.

(8) If the total sales of the corporation in the commonwealth during the taxable year, as determined pursuant to subsection (f) of section 38, are equal to or greater than \$500,000,000 and less than \$1,000,000,000, the minimum tax shall be \$75,000.

(9) If the total sales of the corporation in the commonwealth during the taxable year, as determined pursuant to subsection (f) of section 38, are equal to or greater than \$1,000,000,000 the minimum tax shall be \$150,000.

Massachusetts calculates its corporate excise tax by adding a net income measure and property measure (or net worth in absence of property). Since FY12, the net income measure has been calculated at 8% and the property measure is imposed at a rate of \$2.60 per \$1,000 of taxable property (or taxable net worth). For small businesses, Massachusetts set a minimum corporate excise tax at \$456.⁶

According to the current General Laws, “A corporation's total excise is the combination of the property measures and net income measures, or the minimum corporate excise, whichever is greater.”

H.4530 raises the minimum corporate excise tax by grouping an annual total sales threshold with a corresponding minimum tax. By doing so, Massachusetts can maximize tax revenue collection from medium and large sized employers, while keeping the floor at \$456 for small businesses.

State House News Service estimates the new tax policy will generate \$100-150 million additional revenue directed to the Commonwealth Transportation Fund.⁷

Rental Car Sales Tax:

Rental car agencies are not currently required to pay a sales tax on newly purchased vehicles. H.4508 would require rental agencies to pay the sales tax (6.25%) on newly purchased vehicles. State House News Service estimates this will bring in \$110 million in additional revenue.

⁶ <https://www.mass.gov/service-details/how-corporate-excise-tax-is-calculated>

⁷ <https://www.statehousenews.com/?path=cms%2fcontent.aspx&db=a&select=2020362>

Additionally, personal vehicle sharing companies will be assessed the rate of \$1 per vehicle sharing period. If the sharing period exceeds 24 hours, the assessment will be \$1 per day.

Transportation Network Companies:

Transportation Network Companies provide personal vehicle sharing services, typically through an online-enabled platform or application. Although many companies operate these services worldwide, Uber and Lyft comprise 98% of the US ride-sharing market.⁸ According to the Massachusetts Department of Utilities, TNCs provided 81.3 million rides in Massachusetts, approximately 25% more than in 2017.⁹

Uber and Lyft provide a range of services: customers can save money by opting into a carpool/vanpool, customers can select an individual ride, or a luxury ride (high-class vehicle from 2012 or later). Currently, Uber and Lyft pay a per-ride assessment to the Department of Utilities of 20¢.

How much revenue do TNCs generate in per-ride assessments? - In 2018, the Department of Utilities collected over \$16 million in assessments. Under current laws, half the amount is distributed to the Commonwealth Transportation Fund while the other half is distributed to Massachusetts cities and towns based on the amount of rides originated in each community.¹⁰

How will this bill increase revenue from TNCs? - H. 4530 seeks to change both the structure of per-ride assessments and the distribution of funds. H.4530 will keep the shared-ride assessment at 20¢, but changes the individual ride assessment to \$1.20 and the luxury assessment to \$2.20 to discourage individual rides. From the funds received, 25% will be distributed towards cities and towns, 25% will go into the Commonwealth Transportation Fund and 50% will go towards the Transit Authority Fund. This will ensure that rural and exurban communities get a fair share and that RTAs will continue to get additional funding beyond their annual base. The Commonwealth Transportation Fund will also redirect \$6 million dollars annually to provide financial assistance to small businesses operating in the taxicab, livery or hackney industries to encourage the adoption of new technologies and advanced services to help make their services viable and consumer friendly in the age of smartphone technology.

Additionally, H. 4530 seeks to levy a per-ride assessment of 50¢ on every transportation network vehicle. Unlike the aforementioned assessments directed towards Uber and Lyft, this assessment would hit the network driver. Along with California, Massachusetts has filed several class-action lawsuits aimed towards Uber and Lyft to get their drivers reclassified as employees. As with most gig economy jobs, Uber and Lyft treat their drivers as independent contractors.

How much additional revenue will this create? - According to State House News Service, \$130-145 million. It remains to be seen how new per-ride assessments and financial assistance to programs that assist taxicab and transportation providers will change the landscape of ride-hailing. Given there was a 25% increase in ride-sharing from 2017-2018, it's safe to assume that TNCs are here to stay in urban and suburban areas.

⁸ <https://www.vox.com/2018/12/12/18134882/lyft-uber-ride-car-market-share>

⁹ <https://tnc.sites.digital.mass.gov/>

¹⁰ <https://www.mass.gov/info-details/2017-municipal-rideshare-fund-report>