

COMMONWEALTH TRANSPORTATION FUND REVENUE REPORT December 2024

Summary

Commonwealth Transportation Fund (CTF) revenues grew by 5.4 percent in December, driven by strong growth in motor fuels tax and motor vehicle sales tax collections.

Motor Fuels Tax

Motor fuels taxes increased by 10.1 percent in December.

Retail gasoline prices in our forecast for 2025 and 2026 are lower compared with 2024, which largely reflects our forecast of lower crude oil prices. We forecast U.S. gasoline prices in 2025 will average around \$3.20 per gallon (gal), a decrease of more than 10 cents/gal from 2024. In 2026, we forecast prices to fall to an annual average \$3.00/gal.

Motor Vehicle Sales and Use Tax

Motor vehicle sales tax collections increased by 9.0 percent in December.

The U.S. auto industry made further progress in 2024. For the first time since the pandemic, new-vehicle sales consistently remained above 15 million SAAR throughout the year. Despite elevated auto lending rates, consumers were eager to purchase new vehicles, thanks to a robust U.S. economy and a relatively healthy labor market. Rising asset prices also contributed to the "wealth effect," enabling households to make larger purchases such as new vehicles.

However, the fourth-quarter performance stood out as exceptional. New-vehicle sales averaged 16.5 million SAAR in the final quarter of 2024, marking the industry's best quarterly performance since 2019. This surge was partly driven by an uncontested and peaceful U.S. presidential election, which bolstered consumer confidence.

On the supply side, the auto industry demonstrated remarkable stability. During the first nine months of 2024, U.S. light-vehicle production averaged 10.34 million SAAR, slightly higher than the 2023 average. The rebound in U.S. auto production in recent years has been crucial in steadily increasing new-vehicle sales. Consistent production rates have lifted inventory levels from their concerning lows two years ago. In the first 11 months of 2024, seasonally adjusted inventory levels were 45% higher than in 2023 on average. This improvement has helped raise the inventory-to-sales ratio above 1 since the second half of 2023, for the first time in the last three years, highlighting the impressive

achievements in supply-side conditions within the U.S. auto industry.

However, 2024 was not without its challenges. The cyberattack on CDK Global last summer and its subsequent impact on dealerships exposed vulnerabilities in the still-recovering U.S. auto industry. Additionally, Hurricanes Milton and Helene wreaked havoc, destroying thousands of new vehicles and underscoring the significant threat increasingly devastating natural disasters pose to the smooth functioning of the industry.

The new year brings both opportunities and challenges for the U.S. auto industry. The president-elect's proposed tariff policies introduce a degree of uncertainty for the coming years. The proposal includes a 20-percentage point increase in tariffs on key auto trading partners such as the EU, South Korea and Japan. Additionally, all Chinese vehicles produced in Mexico would face a 100-percentage point tariff upon entering the U.S. Other proposed policies include the removal of EV tax credits and the creation of tax credits for auto interest payments.

Some of these policies are expected to front-load auto sales in the near term, particularly in the first quarter. Our forecast expects that new-vehicle sales will grow again in 2025, supported by declining interest rates and a well-functioning U.S. economy. Notably, with the likely removal of EV tax credits, prospective EV consumers may rush to purchase a new EV before the new policies take effect.

State Retail Sales Tax

The transportation portion of the state retail sales tax grew by 1.5 percent in December.

Motor Vehicle Licenses

Motor vehicle registration fee collections were up 19.3 percent in December.

Commonwealth of Virginia/Department of Accounts
Commonwealth Transportation Fund
Summary Statement of Selected Revenue Estimates & Collections
For the Fiscal Years 2024 and 2025
(Dollars in Thousands)

Revenue	FY 2025 Estimate	As a % of Total Fund	December			Year-To-Date			% Annual Growth Required By Estimate
			FY 2025	FY 2024	% Change	FY 2025	FY 2024	% Change	
Motor Fuel Taxes	\$1,594,600	18.96	\$154,554	\$140,322	10.1	\$816,040	\$757,197	7.8	6.5
Insurance Premiums Tax	228,700	2.73	26,038	33,008	(21.1)	228,661	217,791	5.0	5.0
Motor Vehicle Sales and Use Tax	1,277,600	15.19	106,441	97,649	9.0	670,866	637,701	5.2	1.8
State Sales and Use Tax	1,418,600	16.87	118,194	116,485	1.5	705,648	694,253	1.6	3.0
Motor Vehicle License Fees	218,900	2.60	19,134	16,039	19.3	114,890	107,657	6.7	2.9
Highway Use Fee	90,900	1.08	6,773	5,040	34.4	41,542	33,362	24.5	28.0
International Registration Plan	114,400	1.36	13,879	14,879	(6.7)	54,293	52,145	4.1	0.5
Recordation Tax	52,500	0.63	5,269	4,262	23.6	29,612	24,424	21.2	3.2
Interest Earnings	33,400	0.40	70	58	20.7	14,214	12,029	18.2	(38.4)
Misc. Taxes, Fees, and Revenues	18,900	0.22	1,971	1,499	31.5	11,490	9,502	20.9	(12.4)
Total State Taxes and Fees	<u>\$5,048,500</u>	<u>60.04</u>	<u>\$452,323</u>	<u>\$429,241</u>	<u>5.4</u>	<u>\$2,687,256</u>	<u>\$2,546,061</u>	<u>5.5</u>	<u>3.6</u>

Percentage is greater than or equal to 1,000%.

**Commonwealth of Virginia/Department of Accounts
Commonwealth Transportation Fund
Statement of Revenue Estimates & Collections
For the Fiscal Years 2024 and 2025
(Dollars in Thousands)**

Revenue	FY 2025 Estimate	As a % of Total Fund	December			Year-To-Date			% Annual Growth Required By Est
			FY 2025	FY 2024	% Change	FY 2025	FY 2024	% Change	
COMMONWEALTH TRANSPORTATION FUND									
Motor Vehicle Fuels Taxes (Includes Aviation & Road Taxes)	\$1,594,600	18.96	\$154,554	\$140,322	10.1	\$816,040	\$757,197	7.8	6.5
Motor Vehicle Sales and Use Tax (Includes Rental Tax)	1,277,600	15.19	106,441	97,649	9.0	670,866	637,701	5.2	1.8
State Sales and Use Tax	1,418,600	16.87	118,194	116,485	1.5	705,648	694,253	1.6	3.0
Motor Vehicle License Fees	218,900	2.60	19,134	16,039	19.3	114,890	107,657	6.7	2.9
Highway Use Fee	90,900	1.08	6,773	5,040	34.4	41,542	33,362	24.5	28.0
International Registration Plan	114,400	1.36	13,879	14,879	(6.7)	54,293	52,145	4.1	0.5
Insurance Premiums Tax	228,700	2.73	26,038	33,008	(21.1)	228,661	217,791	5.0	5.0
Recordation Tax	52,500	0.63	5,269	4,262	23.6	29,612	24,424	21.2	3.2
Total Commonwealth Transportation Fund	\$4,996,200	59.42	\$450,282	\$427,684	5.3	\$2,661,552	\$2,524,530	5.4	4.2
HIGHWAY MAINTENANCE AND OPERATING FUND									
Misc. Taxes, Fees, and Revenues	\$18,900	0.22	\$1,971	\$1,499	31.5	\$11,490	\$9,502	20.9	(12.4)
Other Miscellaneous Revenues	30,132	0.36	29,221	5,534	428.0	365,613	336,041	8.8	(92.0)
Federal Grants and Contracts	0	0.00	5,029	363	#	25,221	15,599	61.7	(100.0)
Transfer (to) / from Transportation Trust Fund	509,882	6.06	127,000	91,000	39.6	254,000	182,000	39.6	49.8
Total Highway Maintenance and Operating Fund	\$558,914	6.64	\$163,221	\$98,396	65.9	\$656,324	\$543,142	20.8	(28.2)
TRANSPORTATION TRUST FUND									
Interest Earnings	\$33,400	0.40	\$70	\$58	20.7	\$14,214	\$12,029	18.2	(38.4)
Federal Grants and Contracts	1,743,227	20.73	64,828	40,982	58.2	895,923	806,584	11.1	38.9
Receipts from Cities/Counties	1,466,358	17.44	55,634	53,624	3.7	267,197	307,969	(13.2)	126.7
Toll Revenues	116,696	1.38	4,337	3,751	15.6	28,440	30,358	(6.3)	73.3
Miscellaneous Revenues	4,058	0.05	1,841	3,563	(48.3)	224,689	173,744	29.3	(98.5)
Transfer (to) / from Highway Maintenance and Operating Fund	(509,882)	(6.06)	(127,000)	(91,000)	(39.6)	(254,000)	(182,000)	(39.6)	(49.8)
Total Transportation Trust Fund	\$2,853,857	33.94	(\$290)	\$10,978	(102.6)	\$1,176,463	\$1,148,684	2.4	45.5
TOTAL COMMONWEALTH TRANSPORTATION FUND, HIGHWAY MAINTENANCE AND OPERATING FUND, AND TRANSPORTATION TRUST FUND									
	\$8,408,971	100.00	\$613,213	\$537,058	14.2	\$4,494,339	\$4,216,356	6.6	11.6

Percentage is greater than or equal to 1,000%.