

COMMONWEALTH TRANSPORTATION FUND REVENUE REPORT November 2024

Summary

Commonwealth Transportation Fund (CTF) revenues grew by 3.5 percent in November, driven by strong growth in retail sales tax collections.

Motor Fuels Tax

Motor fuels taxes declined by 0.8 percent in November.

The Brent crude oil spot price is expected to remain close to its current level in 2025, averaging \$74 per barrel for the year, as oil markets will be relatively balanced on an annual average basis.

Motor Vehicle Sales and Use Tax

Motor vehicle sales tax collections increased by 3.2 percent in November.

Buyers flocked to showrooms as consumer confidence increased following the uncontentious conclusion of the election. Sales of trucks and SUVs as a percent of total sales reached an all-time high, and sales of foreign vehicles reached the lowest point in more than a year. A jump in vehicle sales in the November of an election year has been relatively uncommon. There has not been a November with higher sales than the proceeding month in a presidential election year since 2012 during the secular recovery of the auto market, and none before that since 1996.

The jump in sales aligns with an auto market bracing for a period of instability. The president-elect's proposed policies are introducing this unpredictability. Proposals prior to and since the election include tariffs on every major foreign auto-producing country in the world, the elimination of EV tax credits, the lowering of fuel economy standards, and the creation of tax credits for auto interest payments. Not all these policies are expected to be enacted; however, some changes will come to fruition.

Our baseline forecast for December assumes that within the first year, tariffs on vehicles made in the EU, Japan and Korea will be increased by 20 percentage points. Also, tariffs on vehicles from Mexico will be increased by 10 percentage points. Additionally, the "lease loophole" for EV tax credits that allows for all new EVs, regardless of country of origin or MSRP, to obtain a \$7,500 tax credit will be eliminated. Moreover, tariffs on all Chinese vehicles made in Mexico will incur a 100-percentage point increase in tariffs.

The implementation and anticipation of enacting these changes partly drove up sales in November and are expected to be the driving force of near-term swings in new-vehicle sales. For instance, there are thoughts that given the president-elect's stated dislike of EVs, all tax credits will be eliminated. This will likely cause some consumers to push forward a purchasing decision to capitalize on the current policies before changes are made. The same can be true for businesses that are utilizing these credits on their vehicles, where they may push additional incentives to capitalize on current policies.

Outside of EVs, consumer confidence is expected to remain high in the near term, bolstered by rising asset prices from the stock market and interest rates pulling back from current peaks. These dynamics will lead to continued strong December sales as well as increased sales throughout the first quarter of 2025.

Nevertheless, the impact of the assumed tariffs over the medium term will be higher prices for autos. Higher prices lower affordability, pricing potential consumers out of the new-vehicle market. The rise in prices from tariffs will be offset by an increase in incentives by manufacturers, but they will not be enough to offset the total rise in cost. The increased costs from tariffs will lead to a lower number of new vehicles sold than would have otherwise been the case over the three years.

Increased costs for new vehicles will push potential buyers to the used-vehicle market. The increased demand for used vehicles, along with low supply from years of below-equilibrium sales following the semiconductor shortage and the more acute loss of vehicles from Hurricanes Milton and Helene, will prop up used-vehicle prices.

State Retail Sales Tax

The transportation portion of the state retail sales tax grew by 6.3 percent in November.

Motor Vehicle Licenses

Motor vehicle registration fee collections were down 10.6 percent in November.

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	November			Year-To-Date			% Annual Growth Required By Estimate
			FY 2025	FY 2024	% Change	FY 2025	FY 2024	% Change	
Motor Fuel Taxes	\$1,591,400	19.14	\$122,883	\$123,905	(0.8)	\$661,485	\$616,875	7.2	6.2
Insurance Premiums Tax	228,661	2.75	8,164	6,225	31.1	202,622	184,782	9.7	5.0
Motor Vehicle Sales and Use Tax	1,248,400	15.02	94,589	91,636	3.2	564,424	540,052	4.5	(0.6)
State Sales and Use Tax	1,392,200	16.74	120,526	113,417	6.3	587,453	577,768	1.7	1.1
Motor Vehicle License Fees	219,500	2.64	13,480	15,081	(10.6)	95,756	91,618	4.5	3.2
Highway Use Fee	65,400	0.79	5,438	4,993	8.9	34,768	28,322	22.8	(7.9)
International Registration Plan	119,600	1.44	3,944	2,885	36.7	40,414	37,266	8.4	5.1
Recordation Tax	55,900	0.67	4,714	3,400	38.6	24,344	20,163	20.7	9.9
Interest Earnings	14,200	0.17	137	65	110.8	14,143	11,971	18.1	(73.8)
Misc. Taxes, Fees, and Revenues	18,600	0.22	1,820	1,475	23.4	9,519	8,003	18.9	(13.8)
Total State Taxes and Fees	<u>\$4,953,861</u>	<u>59.58</u>	<u>\$375,695</u>	<u>\$363,082</u>	<u>3.5</u>	<u>\$2,234,928</u>	<u>\$2,116,820</u>	<u>5.6</u>	<u>1.7</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	November			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)	\$1,591,400	19.14	\$122,883	\$123,905	(0.8)	\$661,485	\$616,875	7.2	6.2
Motor Vehicle Sales and Use Tax (Includes Rental Tax)	1,248,400	15.02	94,589	91,636	3.2	564,424	540,052	4.5	(0.6)
State Sales and Use Tax	1,392,200	16.74	120,526	113,417	6.3	587,453	577,768	1.7	1.1
Motor Vehicle License Fees	219,500	2.64	13,480	15,081	(10.6)	95,756	91,618	4.5	3.2
Highway Use Fee	65,400	0.79	5,438	4,993	8.9	34,768	28,322	22.8	(7.9)
International Registration Plan	119,600	1.44	3,944	2,885	36.7	40,414	37,266	8.4	5.1
Insurance Premiums Tax	228,661	2.75	8,164	6,225	31.1	202,622	184,782	9.7	5.0
Recordation Tax	55,900	0.67	4,714	3,400	38.6	24,344	20,163	20.7	9.9
Total Commonwealth Transportation Fund	\$4,921,061	59.19	\$373,738	\$361,542	3.4	\$2,211,266	\$2,096,846	5.5	2.6
HIGHWAY MAINTENANCE AND OPERATING FUND									
Misc. Taxes, Fees, and Revenues	\$18,600	0.22	\$1,820	\$1,475	23.4	\$9,519	\$8,003	18.9	(13.8)
Other Miscellaneous Revenues	30,132	0.37	34,041	2,198	#	336,392	330,507	1.8	(92.0)
Federal Grants and Contracts	0	0.00	981	3,169	(69.0)	20,192	15,235	32.5	(100.0)
Transfer (to) / from Transportation Trust Fund	509,882	6.13	0	0	-	127,000	91,000	39.6	49.8
Total Highway Maintenance and Operating Fund	\$558,614	6.72	\$36,842	\$6,842	438.5	\$493,103	\$444,745	10.9	(28.3)
TRANSPORTATION TRUST FUND									
Interest Earnings	\$14,200	0.17	\$137	\$65	110.8	\$14,143	\$11,971	18.1	(73.8)
Federal Grants and Contracts	1,743,227	20.97	98,719	40,058	146.4	831,095	765,602	8.6	38.9
Receipts from Cities/Counties	1,466,358	17.64	42,334	57,619	(26.5)	211,563	254,344	(16.8)	126.7
Toll Revenues	116,696	1.39	5,389	4,120	30.8	24,103	26,607	(9.4)	73.3
Miscellaneous Revenues	4,058	0.05	17,471	2,576	578.2	222,848	170,181	30.9	(98.5)
Transfer (to) / from Highway Maintenance and Operating Fund	(509,882)	(6.13)	0	0	-	(127,000)	(91,000)	(39.6)	(49.8)
Total Transportation Trust Fund	\$2,834,657	34.09	\$164,050	\$104,438	57.1	\$1,176,752	\$1,137,705	3.4	44.5
TOTAL COMMONWEALTH TRANSPORTATION FUND, HIGHWAY MAINTENANCE AND OPERATING FUND, AND TRANSPORTATION TRUST FUND									
	\$8,314,332	100.00	\$574,630	\$472,822	21.5	\$3,881,121	\$3,679,296	5.5	10.3

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