

**AN ANALYSIS OF STATE IMPOSED TAXES AND FEES
ON MOTOR CARRIERS OF PASSENGERS**

VIRGINIA DEPARTMENT OF HIGHWAYS AND TRANSPORTATION

TO

THE GOVERNOR

AND

THE GENERAL ASSEMBLY OF VIRGINIA



Senate Document No. 29

**COMMONWEALTH OF VIRGINIA
Richmond, Virginia
1980**

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COMMONWEALTH of VIRGINIA

DEPARTMENT OF HIGHWAYS & TRANSPORTATION

1221 EAST BROAD STREET
RICHMOND, 23219

IN REPLY PLEASE REFER TO

February 4, 1980

Memorandum

To The Honorable John N. Dalton
and
Members of the House of Delegates
and the
Senate of Virginia

From Harold C. King, Commissioner

The attached report is being submitted pursuant to Senate Joint Resolution No. 139 passed by the 1979 Session of the General Assembly. The Department of Highways and Transportation was requested to undertake a study of State taxes and fees imposed upon privately-owned motor carriers of passengers to investigate the amount of State revenue generated by these taxes, their effect upon the overall health of the motor carriers operated within Virginia, the degree to which these taxes have contributed to the reduction in services offered by these carriers, and the effects of a reduction of one or more of these taxes and fees on State revenues and/or the carriers' ability to continue to offer passenger services.

This report concludes that, following the removal of the gross receipts road tax and the motor fuels tax, revenues generated by passenger carriers were less than \$400,000 in 1979. The removal of the gross receipts tax and the motor fuels tax provided some relief to the motor carriers of passengers while having little adverse effect on state revenues due to the fact that prior to their removal they accounted for less than 0.2% of the total transportation revenue. Also, because the remaining taxes represent a relatively small portion of the passenger carriers' variable costs, removal of the remaining state imposed taxes and fees would not provide any significant relief to passenger carriers.

Attachments

CC: Secretary George M. Walters
Mr. Leo E. Bussey, II
Mr. O. K. Mabry

AN ANALYSIS OF STATE IMPOSED TAXES AND FEES
ON MOTOR CARRIERS OF PASSENGERS

by

Gary R. Allen
Research Scientist

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

Virginia Highway and Transportation Research Council
(A Cooperative Organization Sponsored Jointly by the Virginia
Department of Highways & Transportation and
the University of Virginia)

Charlottesville, Virginia

October 1979

VHTRC 80-R16

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INTRODUCTION

In May 1979 the Virginia Transportation Research Council was requested by the Public Transportation Division, through Senate Joint Resolution Number 139, to conduct a study of the state taxes and fees imposed upon privately owned motor carriers of passengers in order to determine the effects a reduction of one or more of these taxes would have on state revenues and on the carrier's ability to continue to offer regular-route passenger services. This report has been prepared in response to that request.

ARRANGEMENT OF DISCUSSION

In addressing the subject of taxes and fees on private carriers, the first section of the report describes the various taxes and fees which have been paid by passenger carriers during the last five years. The second section describes the private passenger carrier market in Virginia to the extent data are available. The third section of the report presents estimates of the revenue generated by the state imposed taxes and fees as well as a discussion of the likely degree to which these have affected the level of services offered by the carriers. Except as otherwise noted in the report, the analysis focuses on private passenger carriers other than those which are classified as Urban and Suburban Bus Lines* or taxi companies.

*These are bus lines the majority of whose passengers use the bus for travelling a distance not greater than 40 miles daily one way between their homes, places of work or schools.

TAXES AND FEES ON MOTOR CARRIERS OF PASSENGERS

Taxes Dedicated to Transportation

A privately owned motor carrier of passengers is defined by the Code of Virginia as "any person, firm, or corporation which operates a passenger vehicle for hire that has seats for more than seven passengers (in addition to the driver) on any highway in Virginia." Thus, the definition of a private carrier extends beyond buses to van services and airport services in many cases. The taxes and fees described under the subheads that follow are applicable to carriers as defined above and are earmarked for the highway construction and maintenance fund.

Gasoline Taxes

All states generally impose some form of fuel tax as a user charge on motor vehicles of all types. Most recently, Virginia's levy on common carriers of passengers has been an \$.11 per gallon road tax on fuel consumed within the Commonwealth. The total levy has been collected at two points, \$.09 per gallon at the pump and \$.02 per gallon by the State Corporation Commission. However, under legislation that became effective April 1, 1979, these fuel taxes have been removed in the sense that they are refunded quarterly, upon request, to the carriers for regular-route operations.

Gross Receipts Road Tax

Through 1978, when the gross receipts tax was repealed, every motor carrier, including carriers of passengers, was subject to a 2% tax on gross receipts from intrastate operation as well as a 2% levy on gross receipts earned in interstate travel times the proportion of mileage driven in the Commonwealth.

Registration and License Fees

The only other fees dedicated to the highway construction and maintenance fund are registration and license fees, the sales and use tax, and the titling tax. Titling fees are technically not taxes. Rather, they cover costs associated with proving and protecting vehicle ownership. As such, the fee is paid only upon the transfer of ownership. For original titles, the fee is \$7; for new liens the fee is only \$5. Like the titling fee, sales

and use taxes (2% of the sale price of the vehicle) are paid only when a sales transaction occurs.

Registration and license fees, on the other hand, are annual fees paid for license tags and registration cards. Title 46.1-149 of the Code of Virginia describes in detail the schedule of license fees based upon gross weight.

Taxes and Fees Not Dedicated to Transportation

There are several taxes and fees levied on motor carriers of passengers that are apportioned to the general revenue fund. These are briefly described below.

Rolling Stock Taxes

Every motor vehicle carrier of passengers (or property) which is granted a certificate of convenience and necessity under §56-280 of the Code of Virginia is required to annually pay 1% of the assessed full value (as established by the Corporation Commission) of its rolling stock as rolling stock tax. Although this ad valorem tax is assessed and collected at the state level, it is in fact a property tax which is distributed to localities based on the proportion of total mileage that the carrier travels in the respective localities. Each locality may use the revenue as it chooses.

Special Revenue Taxes

Under §58-666 of the Code of Virginia every common carrier of passengers in Virginia must pay a special tax of up to 0.2% of gross receipts. Although variable according to need, this annual tax is distributed to a special fund set aside to defray the Corporation Commission's costs of making appraisals, valuations, and inspections of public service corporations. The rate schedule is presented in the Appendix.

Annual State Franchise Tax

Because they fall under §58-456 of the Code of Virginia, motor carriers of passengers organized as corporations must pay an annual corporation franchise tax based upon their authorized maximum capital stock. There is little need to duplicate the

rate schedule here for most carriers of passengers pay approximately 0.1%. This tax goes to the general fund.

Filing Fees for Certificate of Convenience

Every applicant for a certificate to operate as a common carrier of passengers must pay a filing fee of \$50 under §56.279.1 of the Code of Virginia. Any money not spent to cover the cost of issuing certificates is placed in the highway construction and maintenance fund. The amount collected is almost negligible.

Income Taxes

Motor carriers of passengers are liable for income taxes and must apportion their net income to this state by the ratio of in-state miles of travel to total miles of travel. The rate of taxation is 6% of federal taxable income and is payable to the general fund annually.

A DESCRIPTION OF THE PRIVATE PASSENGER CARRIER MARKET

One of the purposes of this study was to determine whether the removal of some taxes and fees would enhance the viability of regular-route passenger service from private common carriers of passengers. Implicit in achieving this purpose was an examination of the characteristics of the market for certified passenger carriers.

In the case at hand, the concern about private motor carriers of passengers is that they may be providing a worthwhile group regular-route passenger service, but due to cost crunches, may in the near future cease to operate. Three questions are primarily of interest: What service is being supplied by motor vehicle carriers of passengers? Are there alternative suppliers? And, if not, will removing existing taxes and fees enable the market mechanism to supply group transportation? In this section, the first two questions are addressed in terms of the type of rolling stock motor vehicle carriers of passengers possess, the entry and exit pattern of the suppliers to this market, and the degree of competition the carriers face in providing passenger service. This approach suggests that since a proposal to remove taxes and fees is really a proposal to subsidize, one is obligated to determine what output is likely to be subsidized in the event taxes and fees are removed.

Rolling Stock

Since all motor vehicle carriers of passengers are regulated and registered by the Corporation Commission, the Commission's files provided a ready source of information about the market for private common carriers of passengers.

Twenty-six companies in Virginia possess certificates of convenience and necessity as granted under §56-280 by the Corporation Commission. These certificates grant holders rights and obligations to operate for-hire passenger service intrastate over certain routes. While one might suspect that these companies provide largely fixed-route, intercity passenger bus service in Virginia, the composition of rolling stock owned by certified companies suggests a broader market. In particular, eight of the twenty-six companies listed in Table 1 have rolling stock which consists primarily of taxis or vans and the service being supplied is largely airport limousine service. At least two other companies supply a significant amount of contract school bus service to areas contiguous to Bristol and Fredericksburg. Table 2 presents a list of these ten companies.

When the remaining sixteen companies are examined, the files show that the great majority of rolling stock is held by Trailways and Greyhound, and that five of these sixteen companies are part of either Greyhound or Trailways operations. For the remaining eleven companies, only 96 buses are listed on the rolling stock records of the Corporation Commission. Placing the data in perspective, these companies, listed in Table 3, hold less than 3% of the registered buses licensed to operate in Virginia. Similarly, vehicle miles of travel data presented in Table 4 show that of the 28,465,447 vehicle miles traveled by certified carriers of passengers whose rolling stock is comprised largely of buses, only 5.7% of vehicle miles was traveled by companies other than Grayhound or Trailways affiliates. Furthermore, telephone interviews with representatives of these non-affiliate companies have indicated that successful operation depends in a number of instances on charter service, not regular-route service. The Abbott Bus Lines, Cavalier Transportation Company, and James River Bus Company attributed more than 90% of their revenue to charter-tour service; and Danville's D and M Bus Lines stated that only 40% of their business was attributable to regular-route service. The James River Bus Company also stated that at its present cost of about \$.90 per mile, the company lost \$125,000 in 1978 on regular-route service but that its charter service is quite strong.

Table 1

Motor Vehicle Carriers of Passengers

Abbott Bus Lines, Inc.	Taft Abbott, Registered Agent Rt. 1, Blue View Drive Roanoke, Virginia 24012
Airlines Transport Co., Inc.	John H. Williamson, Pres. 619 Campostella Road Norfolk, Virginia 23523
Airport Limo, Inc.	Martin Wall, Gen. Mgr. 1200 N. Hudson Street Arlington, Virginia 22001
Airport Taxi, Inc.	J.T. Graves, Pres. 221 Main Street Charlottesville, Virginia 22903
Allen, Charlie James	Rt. 2, Box 453 Danville, Virginia 24541
Al's Radio Cabs, Inc.	E.R. Claytor, Sr., Pres. 214 Arch Ave. Waynesboro, Virginia 22980
Appalachian Coach Co., Inc.	Samuel E. McConville, Pres. 121 Baldwin Circle Lynchburg, Virginia 24502
Atlantic Greyhound Lines of Va. Inc.	L.L. Petrie, Vice Pres. 1400 W. Third Street Cleveland, Ohio 44113
Blacksburg Limousine Service, Inc.	John J. Madis, Pres. 1698 Oriole Drive Blacksburg, Virginia 24060
Bristol-Jenkins Bus Line, Inc.	D.S. Francis, Pres. 408 E. Mary Street P.O. Box 59 Bristol, Virginia 24201
Carolina Coach Company	A.L. Holmes, Secty. 1201 S. Blount Street Raleigh, North Carolina 27611
Colonial Virginia Tours, Inc.	N.L. Brandon, Pres. P.O. Box 508 Fredericksburg, Virginia 22401

Table 1 (cont'd)

Criser, C.C. et al. T/A Independent Livery	P.O. Box E Hot Springs, Virginia 24445
D & M Bus Co.	William C. Stephens, Secty-Treas. 130 Carolyn Court Danville, Virginia 24541
Estes, John C., Jr. T/A Cavalier Transportation Co.	901 Catherine Street Richmond, Virginia 23220
Gauldin, R.H. T/A Safety Transit Lines	619 Bridge Street Eden, North Carolina 27288
Greyhound Airport Service Inc. of Virginia	John F. Donahue, Vice-Pres. Room 294 Washington National Airport Washington, D.C. 20001
Halterman, Warren Samuel	800 Stuart Street Harrisonburg, Virginia 22801
James River Bus Line	L. Woodrow Story, Vice Pres. 1017 W. Graham Road Richmond, Virginia 23220
Quick-Livick Inc.	Earl F. Quick, Secty-Treas. 708 C Street Staunton, Virginia 24401
Smith's Limousine Service, Inc.	Thomas C. McCormick, Pres. Patrick Henry Airport Newport News, Virginia 23602
Trailways Tennessee Lines Inc.	T.L. Jones, Asst. Controller 1500 Jackson Street Room 532 Dallas, Texas 75201
Virginia Stage Lines, Inc.	Tony Jones, Asst. Controller Room 532 1500 Jackson Street Dallas, Texas 75201
Winn Bus Lines, Inc.	Robert R. Pounders, Pres. 909 N. 17th Street Richmond, Virginia 23219

Table 1 (cont'd)

Woodrum Field Airport Limousine
Service

T.E. Roberts, Pres.
P.O. Box 12588
Roanoke, Virginia 24026

Groome Transportation, Inc.

H.V. Groome, Jr., Pres.
Byrd Int'l Airport
Box A-23
Richmond, Virginia 23231

Table 2

Motor Vehicle Carriers of Passengers
Whose Rolling Stock Consists Primarily of Taxis
or Vans or Who Service Schools

Airlines Transport — Norfolk

Al's Radio Cabs — Waynesboro

C.C. Criser, T/A Independent Livery — Hot Springs, Virginia

Greyhound Airport Service — Washington National Airport

W.S. Halterman — Harrisonburg

Smith's Limo Service — Patrick Henry Airport

Airport Taxi, Inc. — Charlottesville

Woodrum Field Airport Service — Roanoke

^aBristol-Jenkins Bus Lines Bristol

^aColonial Virginia Tours - Fredericksburg

^aThese companies offer a significant amount of contract school bus service.

Table 3

Certified Common Carriers of Passengers
Whose Rolling Stock is Largely Buses,
Excluding Greyhound and Trailways Affiliates

<u>Name of Company</u>	<u>Number of Buses in 1978</u>
Abbott Bus Lines	16
C.J. Allen	1
Appalachian Coach	1
D&M Bus Company	9
Cavalier Transportation Co.	8
Safety Transit Lines (North Carolina)	10
W.S. Halterman Transit	2
James River Bus Lines	18
Blacksburg Limo Service	3
Winn Bus Lines	9
Quick-Livick, Inc.	19
Total	96

Table 4

Vehicle Miles of Travel by Non-Greyhound
or Trailways Affiliates Whose Rolling Stock is Largely Buses

<u>Carrier</u>	Vehicle Miles of Travel 1978
Abbott Bus Lines	74,000
C.J. Allen	15,000
Appalachian Coach	103,656
D&M Bus Company	147,260
Cavalier Transportation	171,010
Safety Transit Lines	69,295
W.S. Halterman	73,265
James River Bus Lines	362,563
Blacksburg Limo Service	173,115
Winn Bus Lines	109,552
Quick-Livick, Inc.	<u>591,520</u>
	1,649,814

The implications of the rolling stock data are fairly clear. First, approximately one-third of the companies licensed by the Corporation Commission as passenger carriers are operating fairly specialized services of the airport limousine service variety. Secondly, the private passenger carrier market is dominated by Greyhound and Trailways, not only in terms of rolling stock licenses to operate but also in terms of vehicle miles traveled. And, thirdly, a number of the non-affiliates of Greyhound and Trailways hold certificates under §56-338.50 of the Code of Virginia to operate special charter service. In some cases, this charter service has subsidized those portions of regular routes that have not generated break-even revenue.

Entry and Exit Patterns

The market for common carriers of passengers in Virginia has been quite stable. More specifically, one will find that firms are not typically entering and leaving the market. In fact, of the twenty-six firms in operation in 1979, twenty-three were in operation in 1971. The Continental Tennessee Lines, Virginia Dare Transportation, and Blacksburg Limo Service are the new entrants to the market. The only exit since 1971 was Tennessee Trailways, which dropped its Virginia certification in 1976; however, the author suspects that Continental Tennessee Lines, added in 1976, took the place of Tennessee Trailways.

When financial data for the period 1974 through 1979 are examined, the stable nature of the industry is quite understandable. As is true for any private enterprise in the long run, survival requires that costs, including a normal profit, must be covered by revenue. Because over the past ten years so few companies have left the market, it is reasonable to argue that at least for that period the industry has been fairly healthy. As is shown in Table 5, the lion's share of gross receipts has historically gone to Greyhound and Trailways; nevertheless, receipts in constant 1974 dollars have increased for non-Greyhound and Trailways affiliates over the period studied, while the real receipts of larger companies have fallen.

Although individual tax records were not available, aggregate data on corporation income taxes paid by all motor vehicle passenger carriers allow some rough estimates to be made of the cost structure of the firms. These data, in turn, can be used to estimate the aggregate trend in net income for the firms comprising the passenger carrier market. First, all companies holding certificates as passenger carriers are examined. Then, the two largest companies are examined separately under some simplifying assumptions about their cost structure.

Table 5

Gross Receipts of Common Carriers
of Passengers 1974-1979

Yr.	Greyhound & Trailways	Other Bus Companies	Total
1974	\$5,601,604 (\$5,601,604)	\$ 905,690 (\$ 905,690)	\$6,507,294
1975	5,501,201 (5,042,347)	1,148,094 (1,052,332)	6,649,295
1976	5,426,240 (4,702,114)	1,433,623 (1,242,308)	6,859,863
1977	6,631,059 (5,395,491)	1,755,448 (1,428,355)	8,386,507
1978	5,313,815 (4,019,527)	2,055,707 (1,554,998)	7,369,522
1979	5,972,630 (4,214,982)	1,978,685 (1,396,390)	7,951,315
			\$43,723,799

Note: Figures in parentheses are in constant 1974 dollars; other figures are in current dollars.

The Aggregate Trend

Tax records show that over the period 1974-1979, the carriers paid \$632,000 in income taxes. The highest tax yield was \$134,000 and the lowest \$98,000. Because the income tax rate is 6% of taxable income, an estimate of taxable income (and thus cost) can be derived. These estimates are presented in Tables 6 and 7. As the tables show, costs for all companies have averaged about 76% of gross receipts and have remained fairly constant since 1974. Thus, these aggregate data do not indicate a recent cost crunch of increasing magnitude.

Table 6

Estimates of Taxable Income
of Motor Vehicle Carriers of Passengers
1974-1979

Year	Estimate of Taxes Paid	Estimate of Taxable Income
1974	\$ 98,000	\$ 1,633,334
1975	134,000	2,233,334
1976	98,000	1,633,334
1977	100,000	1,666,667
1978	102,000	1,700,000
1979	100,000	1,666,667
Total	\$632,000	\$10,533,333

Table 7

Taxable Income and Cost as
a Percentage of Gross Receipts

Year	Taxable Income Percentage	Cost Percentage	
1974	25.0	75.0	
1975	33.0	67.0	
1976	23.8	76.2	
1977	19.8	80.2	
1978	23.0	77.0	
1979	20.9	77.1	
	24.1	75.9	Average for the Period

The Disaggregate Trend

Nevertheless, a closer examination of the historical pattern of the data is more revealing. The companies were categorized as follows:

1. Those companies that have been in operation continuously since 1974.
2. Greyhound and Trailways (in operation since 1974).
3. Companies in operation since 1974 whose rolling stock is mainly buses, excluding Greyhound and Trailways.
4. Companies (regardless of rolling stock composition), excluding Greyhound and Trailways.

Pertinent financial data for these categories are presented in Tables 8, 9, 10 and 11. Some trends are readily apparent. First, vehicle miles of travel, in some sense a measure of available service, has been declining moderately since 1974. Receipts in constant 1974 dollars and on a vehicle-mile basis have declined as well. Because so few companies have left the market, this would suggest that some cost cutting has occurred in order to

maintain normal rates of return. Probably a more important factor has been the growth in charter service demand. Otherwise, it is difficult to explain the ability of the firms to survive during the rapid inflation experienced since 1974.

Table 8
Financial Data for all Carriers in Operation
Since 1974

Year	Deflated Receipts	In-State Vehicle Miles	Deflated Receipts per mile
1974	\$7,618,599	41,361,289	\$.184
1975	7,321,344	38,414,692	\$.186
1976	6,867,507	37,375,443	\$.184
1977	7,719,131	37,772,321	\$.205
1978	6,395,353	36,168,130	\$.177
1979	6,431,690	35,200,000	\$.182

Table 9
Financial Data for Greyhound and Trailways

Year	Deflated Receipts	In-State Vehicle Miles	Deflated Receipts/Mile
1974	\$5,601,604	31,787,946	\$.176
1975	5,042,347	31,165,344	\$.162
1976	,702,114	28,781,499	\$.163
1977	5,385,491	28,245,164	\$.191
1978	4,019,527	26,815,633	\$.150
1979	4,214,982	26,000,000	\$.115

Table 10

Financial Data for Bus Companies, Excluding
Greyhound and Trailways

Year	Deflated Receipts	In-State Vehicle Miles	Deflated Receipts/Mile
1974	\$ 905,690	2,455,785	\$.368
1975	1,052,332	2,530,816	\$.416
1976	1,242,308	2,377,765	\$.522
1977	1,428,355	2,218,647	\$.567
1978	1,554,998	1,649,814	\$.943
1979	1,396,390	1,550,000	\$.901

Table 11

Financial Data for Companies, Excluding
Greyhound and Trailways, Regardless of Type of Rolling Stock Holdings

Year	Deflated Receipts	In-State Vehicle Miles	Deflated Receipts/Mile
1974	\$2,016,995	9,573,343	\$.211
1975	2,276,742	8,249,348	\$.276
1976	2,162,957	8,593,944	\$.252
1977	2,321,451	9,527,157	\$.244
1978	2,378,109	9,352,497	\$.254
1979	2,215,014	9,200,000	\$.241

A second trend is apparent in the data in Table 9. In particular, Greyhound and Trailways have experienced a rather drastic reduction (18%) in vehicle miles of travel in Virginia and an even greater reduction in receipts per vehicle mile in constant dollars (35%). That revenue in constant 1974 dollars has fallen somewhat less (25%) than receipts per vehicle mile, suggests that fare increases and cost reductions have aided the companies in slowing the declining real revenue trend that would have accompanied a mileage reduction.

The data presented in Table 10 for bus companies exclusive of Greyhound show that the trend toward reduced mileage, while not as large in the absolute sense as for the larger national companies, is greater in the relative sense, with a reduction of 37% in vehicle miles traveled in-state. Apparently, however, fare increases (possibly due to high fares for charter service) have offset inflation as deflated receipts per mile traveled have more than doubled since 1974 from about \$.37 per mile to \$.90 per mile. Overall, the small bus companies (like those listed in Table 3) appear to have reduced unprofitable mileage where possible and to have increased total revenue in constant 1974 dollars.

Table 11 is a summary of financial and travel data for companies classified as motor vehicle carriers (including companies offering limo and van services), excluding Greyhound and Trailways. Clearly, the vehicle miles of travel have been almost constant for this category of carriers since 1974 while receipts in constant dollars have risen slightly. Because the data in Table 11 include that from Table 10, a hidden implication arises — that specialized services of the "mini group travel" variety (van airport and limo services) have been growing since 1974. The reader may verify this by subtracting column 2 of Table 10 from column 2 of Table 11.

In reviewing the market entry and exit data, the implications about the stability of the market for private motor vehicle carriers of passengers are less clear than the implications from the rolling stock data. This uncertainty about the passenger carrier market stems from two factors. First, reliable data on passenger travel were not available. While vehicle miles of travel data are helpful in examining supply trends, a more suitable descriptive variable would have been passenger miles traveled. However, cooperation by operators was so slow that this information was not available in time to be useful in the analysis. Secondly, the lack of bona fide cost data for each passenger carrier obscures likely differences in the cost structures (and hence typical profit margins) among the firms. Thus, while the available data on the amount of income tax paid by carriers as a group suggest a very stable cost-to-revenue ratio of approximately

.75 during the past decade, there are little data to suggest how firms are performing individually. To the extent that vehicle miles of travel is a monitor of service, however, small companies have been affected relatively more in terms of mileage reductions (37% to 18%) than the two largest operators. Financially, however, the levels of real gross receipts of the smaller companies have been healthier than those of the national companies.

Competition and Urban and Suburban Bus Lines

One aspect of the market for motor vehicle passenger carriers which has not been touched on is the service supplied by the sixteen companies (see Table 12) classified as "Urban and Suburban Bus Lines." This group of companies is now briefly described.

Urban and suburban bus lines are defined by a 1975 amendment to §56-281 of the Code of Virginia as a bus line the majority of whose passengers use the bus for traveling a distance of not greater than forty miles daily one-way between their homes, places of work, or schools. Companies entitled to this classification have received special tax and regulatory treatment. For example, prior to the removal of the road tax on fuel from common carriers of passengers in April 1979, urban and suburban bus lines paid only \$.06 per gallon road tax instead of \$.11 per gallon; if leased to a locality or operated by a transportation district, no road tax on fuel was paid. Furthermore, neither the 2% road tax on gross receipts of common carriers (repealed in 1978), the special tax on gross receipts levied by the Corporation Commission, nor the 2% sales and use tax has been applicable to urban and suburban bus lines. Regarding special regulatory treatment, §56-281 explains that companies classified as urban and suburban bus lines are not prohibited from operating over regular routes for which a certificate of convenience and necessity has been granted to a common carrier of passengers. Common carriers of passengers, however, cannot operate in competition with each other.

Given the favorable tax and regulatory treatment of urban and suburban bus lines as compared to common carriers of passengers, one would expect that services supplied by urban and suburban lines as measured by miles traveled would have increased. The data support this hypothesis. Whereas in 1971 companies with urban and suburban status traveled 899,046 vehicle miles, by 1977 they traveled over 4,000,000 vehicle miles. These figures should not be construed, however, as implying that urban and suburban buses are necessarily capturing common carrier ridership. Figure 1, which shows motor vehicle carriers' routes, suggests that urban and suburban lines are not typically running competitive service. In fact, at least four companies — Virginia Dare, Abbott Bus Lines, D&M Bus Company, and Danville Transportation

Company — have operated as both urban and suburban bus lines and motor vehicle carriers of passengers. Virginia Dare's switch to urban and suburban bus line status in 1979 may indicate that the demand for other than commuter work trips is not sufficient to support break-even revenue; and the reduced vehicle miles by Greyhound and Trailways during recent years is certainly consistent with this hypothesis.

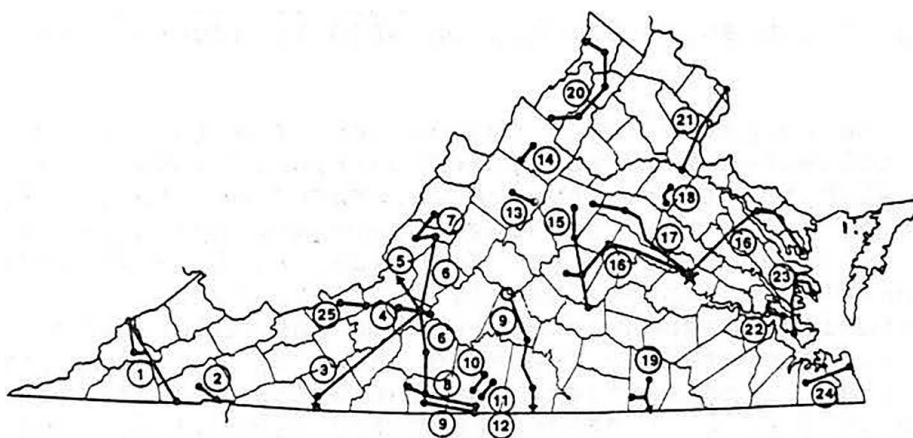
Table 12

Urban and Suburban Bus Lines

Bon Air Transit Company	Mark D. Fisher, Pres. & Gen. Mgr. P.O. Box 2999 Bon Air, Virginia 23235
Cardinal Air Virginia, Inc.	Rhonda Thompson - Secty-Treas. P.O. Box 10065 Lynchburg, Virginia 24506
Chesapeake and Northern Transportation Corporation	James Clinton Riffe, Pres. 5604 Capelle Road Portsmouth, Virginia 23703
Colonial Transit Co., Inc.	Gary L. Penn, Pres. P.O. Box 508 Fredericksburg, Virginia 22401
Howerton, Thomas W. T/A Howerton Bus Line	301 Meadow Wood Lane Danville, Virginia 24541
Intercity Bus Lines, Inc.	Hubert E. Dickens, Pres. P.O. Box 13214 Roanoke, Virginia 24012
McCrickard, William B. T/A McCrickard Bus Line	Box 94 Callands, Virginia 24530
Mechanicsville Bus Line, Inc.	H.E. Hubbard, Pres. Rt. 1, Box 648 Mechanicsville, Virginia 23111
Newton Bus Service, Inc.	Alvin L. Newton, Pres. Rt. 1, Box 8-D Gloucester, Virginia 23061
Nooney Bus Lines, Inc.	Joe Nooney, Pres. and Treas. 1017 Jefferson Street Roanoke Rapids, North Carolina 27870

Table 12 (cont'd)

Ownbey, Ralph T/A Twin State Coach Lines	P.O. Box 826 Bristol, Virginia 24201
Payne, Raymond W. T/A Payne's Bus Service	Rt. 1, Box 122 Beaverdam, Virginia 23015
Pendleton Lines Ltd.	E.M. Pendleton 1423 Dale Avenue S.E. Roanoke, Virginia 24013
Scottsville Bus Lines, Inc.	Kyle E. Allen, Vice Pres. P.O. Box 355 Scottsville, Virginia 24590
Virginia Dare Transportation Co., Inc.	S.E. Midgett, Pres. Manteo, North Carolina 27954
Waller, Wilmer R. T/A Waller Bus Line	1991 Baxter Street Prince George, Virginia 23875



- | | |
|-------------------------------|---|
| (1) Bristol Jenkins Bus Lines | (15) Scottsville Bus Line* |
| (2) Ownby* | (16) James River Bus Line |
| (3) Appalachian Coach | (17) Wirm Bus Lines |
| (4) Pendleton Lines* | (18) Payne's Bus Service* |
| (5) Abbott Bus Lines | (19) Nooney Bus Lines* |
| (6) Intercity Bus Lines* | (20) Quick-Livick, Inc. |
| (7) Independent Livery | (21) Colonial Transit* |
| (8) C.J. Allen | (22) Colonial Virginia Tours |
| (9) D&M Bus Lines | (23) Newton Bus Service* |
| (10) McCrickard Bus Line* | (24) Chesapeake and Northern
Transportation Corp.* |
| (11) Howerton Bus Line* | (25) Blacksburg Limo Service |
| (12) Safety Transit Lines | |
| (13) Al's Radio Cabs | |
| (14) W.S. Halterman | |
- * Urban/Suburban Bus Lines

Figure 1. Motor vehicle carriers of passengers, excluding Greyhound, Trailways, and airport service.

ESTIMATES OF REVENUE GENERATED
BY MOTOR CARRIERS OF PASSENGERS

The period 1974-1979 has been chosen for presenting data which summarize revenue generated by motor carriers of passengers. The aggregate picture is presented first; then, individual companies are examined to the extent data are public information.

Total Taxes and Fees Paid
By Common Carriers of Passengers

Because legislative changes usually affect groups, an aggregate examination of taxes and fees generated by carriers is appropriate. Consequently, Table 13 presents categorical summaries of the revenue generated by the taxes described in the first section of this report.

Two questions are addressed: First, To what extent will removal of taxes and fees affect state revenue? and secondly, How will the removal of these taxes and fees affect the carriers? Aggregate data can appropriately be used to address the first question.

While one cannot dismiss out of hand the importance of the \$7 million collected from passenger carriers since 1974, a comparison with the total revenue generated by other motor vehicle taxes and fees shows that passenger carriers are a relatively unimportant source of revenue. For example, in 1978 passenger carriers contributed approximately \$912,890 to the fund dedicated to transportation (highway construction and maintenance fund); this revenue, generated by the road taxes on fuel and gross receipts, registration and license fees, and the sales and use tax, represented only .002 of state generated revenue for the construction and maintenance fund. The largest contributor of revenue, the road tax on fuel, was only .0022 of state generated motor fuel taxes in 1978, the year before the tax was repealed on passenger carriers. Furthermore, with the repeal of the gross receipts road tax in 1978, approximately \$115,000 is all that can be expected to flow from the passenger carriers to the fund dedicated to transportation; this amount comprises registration and license fees, and sales and use taxes.

Regarding the taxes going to the general fund, only income taxes (about \$100,000 annually) and corporation franchise taxes (about \$3,700 annually) remain as taxes dedicated to the general fund; rolling stock taxes, which have historically averaged about \$150,000, are property taxes which are allocated to localities, even though they pass through the general fund.

Table 13
Tax Revenue Generated By
Motor Vehicle Carriers of Passengers

Year	Road Taxes		Tax Categories					Total	
	Gas Tax	Gross Receipts	Registration & Licenses	Rolling Stock	Special Revenue	State Franchise ^b	Income Tax ^c		Sales and Use ^d
1974	\$ 870,135	\$152,371	\$185,254	\$154,790	\$ 2,286	\$ 3,740	\$ 98,000	\$ (50,000)	\$1,516,576
1975	800,803	159,801	112,155	156,820	7,990	3,740	134,000	(50,000)	1,425,309
1976	660,105	161,718	81,676	151,585	5,660	3,740	98,000	(50,000)	1,212,484
1977	663,338	194,353	60,487	154,434	6,802	3,740	100,000	(50,000)	1,236,520
1978	622,967	174,406	65,517	147,881	6,976	3,740	102,000	(50,000)	1,173,487
1979	-0-	-0-	(65,000) ^a	162,637	8,545	3,740	100,000	(50,000)	389,922
Total	\$3,617,348	\$842,649	\$570,089	\$928,147	\$38,259	\$22,400	\$632,000	\$(300,000)	\$6,954,298

^a Parentheses indicate estimate.

^b Recall that state franchise payments are based on maximum capital stock as allowed by charter; therefore they are fairly constant.

^c The statutes prohibit the disclosure of other than aggregate income tax figures. High and low year data were available, as was the total of \$632,000; the remainder for the other tax years was allocated by the author.

^d The Division of Motor Vehicles is unable to provide exact figures on sales and use taxes; therefore an upper limit of \$50,000 has been set as an estimate.

The aggregate data suggest then, that since the repeal of the road tax on fuel and the gross receipts road tax, only nominal tax revenue is being generated by passenger carriers; hence any future reductions would have little effect on state revenue. Now, the effect on passenger carriers is examined to the extent data are available for individual firms.

Effects on Individual Carriers

The reader will recall from earlier discussion that the industry is dominated by Greyhound and Trailways and their affiliates, in terms of both vehicle miles traveled and gross receipts. Consequently, the finding that these companies dominate the industry in terms of tax generation is not surprising. Table 14 clearly shows that when Greyhound and Trailways are considered together, very little tax revenue can be attributed to the remaining common carrier companies. For example, Greyhound and Trailways payments for motor fuel road taxes have averaged 70% of total motor fuel taxes paid, and of total taxes paid for fuel and gross receipts Greyhound and Trailways have typically paid 73%. In 1979, after repeal of the motor fuel road tax and the gross receipts road tax, these large companies paid approximately 60% of total taxes paid (\$237,852 of the total of \$389,922).

Table 14

Taxes Paid by Greyhound-Trailways
Affiliates and by Non-Affiliates

Year	<u>Greyhound/Trailways</u>		<u>Non-Affiliates</u>	
	Motor Fuel Tax	Gross Receipt Tax	Motor Fuel Tax	Gross Receipt Tax
1974	\$537,950	\$112,032	\$162,010	\$40,340
1975	527,414	110,024	139,604	49,656
1976	487,072	108,525	145,436	48,895
1977	477,995	132,621	160,383	57,038
1978	453,803	106,276	158,087	62,913
1979	-0-	-0-	-0-	-0-

Note: Data in this table are for those companies in business continuously from 1974-1979, regardless of type of rolling stock.

While it is therefore clear that Greyhound and Trailways have received the largest reduction in taxes, approximately \$560,000 in 1979, a look at taxes as a percentage of gross receipts may help place this absolute figure in perspective. Historical data for this comparison are presented in Table 15. The typical pattern is again shown — Greyhound and Trailways have paid a slightly higher proportion of gross receipts in taxes than other carriers. While in 1974 other common carriers of passengers paid approximately the same percentage of gross receipts in taxes as did Greyhound and Trailways, they were paying about 5% less in 1978, due largely to their increase in revenue. By 1979, taxes relative to gross receipts were extremely low for both categories of carriers shown in Table 15. (Recall that the gross receipts road tax was removed in 1978 and the fuel tax in 1979.)

Table 15

Taxes as a Percentage of Gross Receipts

Year	<u>Greyhound/Trailways</u>		<u>Other Companies</u>	
	<u>Total Taxes</u>	<u>Fuel and Gross Receipt Tax</u>	<u>Total Taxes</u>	<u>Fuel and Gross Receipt Tax</u>
1974	16.9%	11.6%	15.9%	10.0%
1975	16.8%	11.5%	11.8%	7.6%
1976	15.5%	10.9%	11.3%	7.8%
1977	12.7%	9.2%	10.6%	7.6%
1978	14.8%	10.5%	9.9%	7.0%
1979	3.9%	0	2.5%	0

Lest the trend be overlooked, total taxes as a percentage of receipts have declined drastically. Since 1974, taxes relative to gross receipts have decreased by 77% for Greyhound and Trailways while other companies have seen taxes decrease by 84%. This rather obvious trend obscures, however, the more subtle but likely more important consideration of whether this level of taxes will, in fact, foster increased ridership or whether the recent tax exemptions can be viewed more appropriately as encouraging gestures. The author argues the latter. As an example, recall that the James River Bus Lines, the second largest company in the state exclusive of Greyhound and Trailways, lost \$125,000 on regular-route service in 1978. However, tax relief occasioned by the removal of the gross receipts tax (\$11,426) and the fuel tax (\$6,647) would have reduced this regular-route loss by only 14.4%.* Since the other taxes are low as well, their removal would likely increase the viability of only those routes whose total costs are only marginally greater than total revenue. Viewed in another way, the author was told that for this company per mile costs are about \$.90. Fuel and gross receipts taxes per mile are approximately \$.018 and \$.031, respectively, less than 5.5% of per mile costs. Continuing the argument, other taxes are estimated to be an additional \$.05 per mile, for a total of about \$.10 per mile. Thus, removing all taxes would mean that for companies typical of the James River Lines the per mile costs might be reduced by 11.0%. As another example, the Winn Bus Lines was paying about \$.088 per mile for taxes prior to the removal of the gross receipts and the fuel road taxes. No cost data are available for this or other firms, but clearly, where regular routes have low demand, tax relief will be encouraging but of little help in the long run, since most costs are comprised of items other than taxes. Greyhound and Trailways data are also consistent with arguments above regarding the relative magnitude of taxes. A reasonable estimate for taxes paid by these companies during 1976-1978 is \$.03 per vehicle mile traveled in Virginia.

To reiterate, because taxes represent a relatively small portion of variable costs, and because market data suggest that the problems of the declining mileage of carriers are largely related to inadequate demand, relief from state imposed taxes and fees has tended to be encouraging to private carriers and helpful in cases where demand is on the margin between a break-even and a loss situation. However, in cases of severely inadequate demand, other long-run solutions to maintaining the viability of the private intercity carrier market will have to be considered.

*The fuel tax is estimated by assuming fuel efficiency of 6 miles per gallon.

APPENDIX

Tax Rates of Special SCC
Gross Receipts Tax

Year	<u>Tax Rate</u>
1971	.02%
1972	.01%
1973	.07%
1974	.03%
1975	.01%
1976	.07%
1977	.07%
1978	.08%
1979	.09%

SUMMARY AND CONCLUSIONS

The research reported here was undertaken in response to a request by the Legislature of Virginia that a study be conducted of state imposed taxes and fees on motor carriers of passengers, the purpose being to determine the effects a reduction in one or more of these taxes would have on state revenue and on the carriers' ability to continue to offer regular-route passenger service. The first section of this report describes the various taxes and fees which have been levied on motor carriers of passengers since 1974. It shows that not all taxes and fees on these carriers are dedicated to transportation. Since the repeal of the motor fuel tax in 1979 and the gross receipts road tax in 1978, only registration fees, titling fees, and the sales and the use tax remain dedicated to the trust fund. Among the taxes dedicated to general use are rolling stock taxes (property taxes that go to localities), Corporation Commission special revenue taxes, corporation franchise taxes, filing fees for certificates of convenience and necessity, and state income taxes.

The second section of the report shows that the private passenger carrier market is dominated by Greyhound and Trailways and their affiliates, both in terms of income generated and number of buses, and that only 5.7% of the vehicle miles of travel was supplied by companies other than Greyhound and Trailways or their affiliates. Furthermore, it is shown that a number of the non-affiliate companies operate special charter in addition to regular-route service, thereby subsidizing the regular routes that do not generate break-even revenue. Notwithstanding the apparent tendency (and necessity) to engage in internal cross route subsidies, the industry has remained notably stable, except for a decline in vehicle miles of travel during the last decade. Most of this reduction in mileage has been made by Greyhound and Trailways, while specialized services of the airport and van variety have increased their vehicle miles of travel.

The third section of the report presents estimates of the tax revenue generated by passenger carriers and shows clearly the relatively small amount of revenue generated by this group of highway users.

Other major conclusions relevant to taxes on passenger carriers follow.

1. Passenger carriers historically have generated less than 0.2% of state generated money for transportation.
2. While the total revenue generated by passenger carriers during the past has averaged less than \$1.5 million annually, the removal of the gross receipts road tax

and the motor fuel tax has reduced this amount to less than \$400,000 in 1979.

3. Greyhound and Trailways received approximately 70% to 75% of the tax relief granted through removing the gross receipts tax and the motor fuel tax. Their tax reduction amounted to \$560,000 in 1979.
4. Because taxes represent a relatively small portion of variable costs and because market data suggest that the problems of the declining mileage of carriers are largely related to inadequate demand, relief from remaining state imposed taxes and fees would not likely forestall demand occasioned trends toward reductions in service. However, the recent removal of the motor fuel tax and the road tax can be viewed as being encouraging to the carriers, and is being helpful in instances where demand has been on the margin between a break-even and a loss level.

