

**TESTIMONY OF  
MICHAEL J. ALLEN, ASSOCIATE COMMISSIONER FOR TAX POLICY  
DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES**

Before the Joint Standing Committee on Transportation  
Hearing Date: *May 6, 2025, Tuesday at 1:00 P.M.*

LD 1804 – “*An Act Concerning Funding and Oversight of Transportation Matters*”

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Senator Nangle, Representative Crafts, and members of the Transportation Committee – good afternoon, my name is Michael Allen, Associate Commissioner for Tax Policy in the Department of Administrative and Financial Services. I am testifying at the request of the Administration Neither For Nor Against LD 1804, “*An Act Concerning Funding and Oversight of Transportation Matters.*”

This bill would alter legislative oversight of transportation funding and the transfer to and use of the funds from the Highway Fund. Relevant to taxation, it would (1) increase, from 40% to 60%, the percentage of automobile-related sales and use tax revenue transferred to the Highway Fund; and (2) amend Title 3, § 521 to provide that the “joint standing committee of the Legislature having jurisdiction over transportation matters is *authorized* to provide oversight of *all legislative matters* related to the Highway Fund . . . ”.

As LD 1804 is drafted, transfers of sales tax revenue to the Highway Fund currently scheduled for July 1, 2026, and October 1, 2026, pursuant to Title 36, § 1821, would be suspended: the existing transfer would end June 30, 2026, but the increased transfer would not begin until July 1, 2027. For the 40% transfer to continue in 2026, the bill should be amended (on p. 5, line 16) to read “Until June 30, 2027.” The language can be further clarified by striking “Beginning July 1, 2027, and every July 1st thereafter, when notified . . . ” (p. 5, line 21).

Further, while the Transportation Committee is often responsible for Highway Fund related tax proposals, this statutory change arguably could limit the Taxation Committee's concurrent jurisdiction over Highway Fund taxes.

Assuming the suspension of the auto sales tax transfers scheduled on July 1, 2026, and October 1, 2026, is not intentional, the fiscal impact from the change to the transfer percentage would be a revenue loss of \$60,150,891 for the General Fund, a revenue increase of \$46,917,695 for the Highway Fund, and a revenue increase of \$13,233,196 for the TransCap Trust Fund in FY 2027. For FY 2028, there would be a \$59,992,314 revenue loss for the General Fund, a \$46,794,005 revenue increase for the Highway Fund, and a \$13,198,309 revenue increase for the TransCap Trust Fund. For FY 2029, there would be a \$60,161,636 revenue loss for the General Fund, a \$46,926,076 revenue increase for the Highway Fund, and a \$13,235,560 revenue increase for the TransCap Trust Fund.

The estimated administrative costs are not available at this time.

The Administration looks forward to working with the Committee on the bill; representatives from MRS will be here for the Work Session to provide additional information and respond in detail to the Committee's questions.