

February 13, 2025

Virginia House of Delegates
House Appropriations Committee Room - 1200
1000 Bank Street
Richmond, VA 23219
ATTN: Cathy Jackson

Re: Virginia House Bill 1179 – Transportation Funding (Oppose)

Dear Chair Torian, Vice Chair Carr and Members of the Appropriations Committee:

On behalf of the Computer & Communications Industry Association (CCIA), I write to respectfully oppose House Bill 1179. CCIA is an international, not-for-profit trade association representing a broad cross-section of communications and technology firms.¹ Therefore, proposed regulations on the interstate provision of digital services can have a significant impact on CCIA members.

While CCIA understands the need for sustainable transportation funding, HB 1179 raises serious policy and economic concerns, particularly because it creates a retail delivery fee and new taxes that disproportionately burden digital commerce and logistics services.

HB 1179 would impose a regressive and distortionary tax on e-commerce.

The bill imposes a \$0.50 fee on every retail delivery in the Commonwealth, with an additional \$0.25 surcharge in Northern Virginia localities. This is indexed annually to inflation, and the per-transaction tax applies regardless of order size, value or margin. This design creates several problems, as detailed below.

First, the proposal would have a regressive impact on consumers. A flat per-delivery fee hits low-income households the hardest, especially those who rely on delivery for accessibility, access to rural areas, or time-constrained work schedules. Second, smaller businesses and marketplace sellers rely heavily on affordable delivery services to reach customers. The bill would place a burden on small sellers and startups with a per-delivery tax that significantly raises their costs, especially as many of these businesses operate on tight margins. Additionally, by taxing each transaction rather than profits or net income, the bill penalizes high-volume, low-margin commerce, which operates as a model that enables affordable goods and competitive pricing for consumers.

Overall, small businesses using e-commerce digital services would experience increased costs of serving customers outside of their immediate area. The tax would also make them less competitive with large, vertically integrated retailers and discourage growth and investment in logistics, warehousing, and fulfillment infrastructure in the Commonwealth. At a time when

¹ For more than 50 years, CCIA has promoted open markets, open systems, and open networks. CCIA members employ more than 1.6 million workers, invest more than \$100 billion in research and development, and contribute trillions of dollars in productivity to the global economy. A list of CCIA members is available at <https://www.ccianet.org/members>.

Virginia should be attracting innovation-driven investment, HB 1179 imposes the opposite effect.

The bill singles out modern commerce models rather than applying a neutral tax policy.

HB 1179 would create a sector-specific tax on retail deliveries, layered on top of existing sales and use taxes. This is not a broad-based transportation fundraising approach. Rather, it is a targeted levy on a specific mode of commerce that increasingly reflects how Virginians shop. Recommended tax policy is neutral across business models, broad-based rather than sector-specific, and efficient. The bill fails these principles by singling out delivery-based transactions while leaving comparable in-store activity untaxed on a per-transaction basis.

Furthermore, transportation funding should not be built on transaction-level penalties. This infrastructure is a public good that benefits the entire economy. Funding it through this kind of tax on one form of commerce risks driving innovation out of the state, reducing consumer choice, and penalizing efficiency and proven upgrades to logistics and supply chains.

CCIA urges the Committee to pursue transportation funding solutions that are broad-based, neutral, and growth-oriented rather than ones that target modern commerce and delivery models relied on by Virginians.

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For these reasons, CCIA respectfully opposes HB 1179 and urges the Appropriations Committee to reject the bill. We appreciate your consideration of our comments and stand ready to provide additional information as you evaluate technology-related policy.

Sincerely,

Tom Mann
State Policy Manager, South
Computer & Communications Industry Association