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The governor of Virginia has thrown a new wrinkle into a Maryland debate by calling for abolition of the commonwealth's gas tax and increasing the sales tax to pay for roads and transit, a move that would alter the competitive balance between the two states.

This week's proposal by Gov. Bob McDonnell, a Republican, is part of a five-year \$3.1 billion plan that seeks to address that state's lack of money for transportation projects — which parallels a similar shortfall in Maryland — by shifting from a dwindling revenue source to one with the potential to grow with inflation.

The plan, which would make Virginia the first state to scrap the gas tax entirely, would have significant implications if it were approved by the Republican-controlled legislature in Richmond. Among other things, it would create an incentive for Marylanders to gas up south of the Potomac rather than pay their home state's gas tax of 23.5 cents a gallon.

Kirk McCauley, director of member relations and government affairs for the Washington, Maryland, Delaware Service Station and Automotive Repair Association, said the proposal would be “devastating for our dealers” because it would make gas much cheaper in Virginia than in Maryland.

“We already have a problem along the border. Now, this is going to reach five to 10 miles inside of Maryland,” McCauley said

Approval of the plan could also raise the pressure on Maryland lawmakers to raise more transportation money to remain competitive with the state's southern neighbor. Maryland's Transportation Trust Fund has eroded to the point where the state is undertaking almost no expansion projects.

The Virginia proposal caught the attention Wednesday of Maryland legislative

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days has focused more on such alternatives as a penny increase in the sales tax, applying the sales tax to gasoline or indexing the current gas tax for inflation.

The Virginia proposal comes as Maryland leaders are struggling to reach a consensus on how to approach the challenge of raising money for transportation projects in a way that meets the needs of different parts of the state. Even before the opening bells sounded, a rift had opened between Senate President Thomas V. Mike Miller and House Speaker Michael E. Busch over whether transportation taxes should vary by region based on the local need for transit services.

O'Malley said he has not decided what to propose, adding that he is still talking with legislators. But he has said repeatedly that Maryland's sales tax burden is relatively low because it does not permit local governments to impose their own sales taxes.

In pre-session interviews Wednesday, O'Malley insisted that \$700 million to \$800 million a year is needed to address congestion problems in Maryland, which are some of the worst in the country. The \$700 million figure is roughly equivalent to an increase in the state's sales tax from 6 percent to 7 percent.

Last year, O'Malley proposed applying the sales tax to gasoline but couldn't get a committee vote on the proposal. This year, Miller said, transportation revenue is the session's most significant issue.

"It's the most difficult to pass," he said. "It's a tough sell for any governor."

Miller said McDonnell's proposal "wouldn't adapt well to Maryland."

"It wouldn't raise a lot of money and it would be a very regressive tax," the Senate president said. But Miller said that if the McDonnell plan were implemented, it would force Maryland to re-examine its own system of financing transportation.

Busch said the proposal could help foster a sense of urgency in Annapolis.

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Maryland's has stayed the same since 1992. In both states, the buying power of that revenue has dropped dramatically.

McDonnell's proposal would raise the state's 5 percent sales tax to 5.8 percent, with the increase designated for transportation improvements. The governor also wants to shift more of the existing sales tax revenue to transportation, increase vehicle registration fees and impose a fee on alternative-fuel vehicles.

The proposal won praise from Lon Anderson, government affairs director of AAA Mid-Atlantic.

"I'm amazed. My hat's off to the governor. He's found a way to break the block of no new taxes," Anderson said.

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