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HOUSE BILL NO. 344

Offered January 12, 2000

A BILL to amend the Code of Virginia by adding a section numbered 58.1-611.2, and to repeal § 58.1-611.1 of the Code of Virginia, relating to rate of tax on food purchased for human consumption; Food Tax Reduction Program.

Patron—Cranwell

Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:**1. That the Code of Virginia is amended by adding a section numbered 58.1-611.2 as follows:**

§ 58.1-611.2. Rate of tax on sales of food purchased for human consumption; Food Tax Reduction Program.

A. Subject to the conditions of subsections D and E, the tax imposed by this chapter or pursuant to the authority granted in §§ 58.1-605 and 58.1-606 shall not apply to food purchased for human consumption, as defined in subsection C, on and after April 1, 2004. Until that date, such tax shall be levied and distributed as follows:

1. Beginning January 1, 2000, through March 31, 2001, the tax rate on such food shall be four percent of the gross sales price with the one-half percent that is eliminated resulting in a reduction of only the state's general fund share of the revenues collected. The revenue from the tax shall be distributed as follows: (i) the revenue from the tax at the rate of one-half percent shall be distributed as provided in subsection A of § 58.1-638, (ii) the revenue from the tax at the rate of one percent shall be distributed as provided in subsections B, C and D of § 58.1-638, (iii) the revenue from the one percent local option sales and use tax shall be distributed in accordance with the provisions of §§ 58.1-605 and 58.1-606, and (iv) the revenue from the tax at the rate of one and one-half percent shall be used for general fund purposes.

2. From April 1, 2001, through March 31, 2002, the tax rate on such food shall be three percent of the gross sales price with the one and one-half percent that is eliminated resulting in a reduction of only the state's general fund share of the revenues collected. The revenue from the tax shall be distributed as follows: (i) the revenue from the tax at the rate of one-half percent shall be distributed as provided in subsection A of § 58.1-638, (ii) the revenue from the tax at the rate of one percent shall be distributed as provided in subsections B, C and D of § 58.1-638, (iii) the revenue from the one percent local option sales and use tax shall be distributed in accordance with the provisions of §§ 58.1-605 and 58.1-606, and (iv) the revenue from the tax at the rate of one-half percent shall be used for general fund purposes.

3. From April 1, 2002, through March 31, 2003, the tax rate on such food shall be two percent of the gross sales price. The revenue from the tax shall be distributed as follows: (i) the revenue from the tax at the rate of one percent shall be distributed as provided in subsections B, C and D of § 58.1-638 and (ii) the revenue from the one percent local option sales and use tax shall be distributed in accordance with the provisions of §§ 58.1-605 and 58.1-606. The foregone one-half percent state sales and use tax dedicated to the Transportation Trust Fund shall continue to be funded from other state revenues collected under this chapter as if such foregone amounts were collected and shall be distributed as provided in subsection A of § 58.1-638.

4. From April 1, 2003, through March 31, 2004, the tax rate on such food shall be one percent of the gross sales price. The revenue from the one percent local option sales and use tax shall be distributed in accordance with the provisions of §§ 58.1-605 and 58.1-606. The foregone one-half percent state sales and use tax dedicated to the Transportation Trust Fund and the foregone one percent state sales and use tax returned to localities based on school-age population shall continue to be funded from other state revenues collected under this chapter as if such foregone amounts were collected and shall be distributed in accordance with the provisions of § 58.1-638.

5. On and after April 1, 2004, the tax rate on such food shall be eliminated. The foregone one-half percent state sales and use tax dedicated to the Transportation Trust Fund and the foregone one percent state sales and use tax returned to localities based on school age population shall continue to be funded from other state revenues collected under this chapter as if such foregone amounts were collected and shall be distributed in accordance with the provisions of § 58.1-638. The foregone one percent local option sales and use tax shall be funded from other state revenues collected under this chapter as if such foregone amount were collected and shall be distributed in accordance with the provisions of §§ 58.1-605 and 58.1-606.

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HB344

59 *B. Any percentage reduction and the total elimination of the sales and use tax on food purchased for*
60 *human consumption shall result in the reduction of only the state's share of the revenues collected under*
61 *this chapter. The Transportation Trust Fund, the school-age population and the local option shares shall*
62 *not be reduced or eliminated.*

63 *C. As used in this section, "food purchased for human consumption" has the same meaning as "food"*
64 *defined in the Food Stamp Act of 1977, 7 U. S. C. § 2012, as amended, and federal regulations adopted*
65 *pursuant to that act, except it shall not include seeds and plants which produce food for human*
66 *consumption.*

67 *D. Notwithstanding the tax rates set forth in subsection A, the rate of tax on sales of food purchased*
68 *for human consumption shall not be reduced below the rate in effect for the Commonwealth's preceding*
69 *fiscal year if:*

70 *1. Actual general fund revenues for the second fiscal year preceding a fiscal year in which a rate*
71 *reduction is contemplated in subsection A do not exceed the official general fund revenue estimates for*
72 *such second preceding fiscal year, as estimated in the most recently enacted and approved general*
73 *appropriation act, by at least one percent; or*

74 *2. Any of the events listed in subsection C of § 58.1-3524 or subsection B of § 58.1-3536 have*
75 *occurred.*

76 *E. If the tax rate on food purchased for human consumption remains the same for consecutive fiscal*
77 *years, the tax rate on such food shall remain the same unless none of the conditions described in*
78 *subsection D have occurred, in which event the tax rate on food purchased for human consumption for*
79 *the immediately following fiscal year shall be equal to the next lowest tax rate listed in subsection A.*

80 *F. There is hereby created on the books of the Comptroller a nonreverting fund entitled the Food*
81 *Tax Reserve Fund which shall be used solely for the statutory purposes of the Food Tax Reduction*
82 *Program as established by this section, and as may be provided for in the general appropriation act.*
83 *For the purpose of the Comptroller's preliminary and final annual reports required by § 2.1-207, all*
84 *balances remaining in the Fund on June 30 of each year shall be considered a portion of the fund*
85 *balance of the general fund of the state treasury.*

86 **2. That § 58.1-611.1 of the Code of Virginia is repealed.**