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SENATE BILL NO. 1368

Offered January 19, 2001

A BILL to amend and reenact §§ 58.1-603, 58.1-604, 58.1-611.1, 58.1-614, 58.1-627, 58.1-628, and 58.1-638 of the Code of Virginia, relating to an additional one percent sales and use tax in certain localities.

Patrons—Saslaw, Byrne, Howell, Puller, Ticer and Whipple; Delegates: Almand, Brink, Hull, Moran, Parrish, Plum, Scott and Watts

Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:

1. That §§ 58.1-603, 58.1-604, 58.1-611.1, 58.1-614, 58.1-627, 58.1-628, and 58.1-638 of the Code of Virginia are amended and reenacted as follows:

§ 58.1-603. Imposition of sales tax.

A. There is hereby levied and imposed, in addition to all other taxes and fees of every kind now imposed by law, a license or privilege tax upon every person who engages in the business of selling at retail or distributing tangible personal property in this Commonwealth, or who rents or furnishes any of the things or services taxable under this chapter, or who stores for use or consumption in this Commonwealth any item or article of tangible personal property as defined in this chapter, or who leases or rents such property within this Commonwealth, in the amount of three and one-half percent:

1. Of the gross sales price of each item or article of tangible personal property when sold at retail or distributed in this Commonwealth.

2. Of the gross proceeds derived from the lease or rental of tangible personal property, where the lease or rental of such property is an established business, or part of an established business, or the same is incidental or germane to such business.

3. Of the cost price of each item or article of tangible personal property stored in this Commonwealth for use or consumption in this Commonwealth.

4. Of the gross proceeds derived from the sale or charges for rooms, lodgings or accommodations furnished to transients as set out in the definition of "retail sale" in § 58.1-602.

5. Of the gross sales of any services which are expressly stated as taxable within this chapter.

B. In addition to the tax imposed under subsection A, an additional sales tax of one percent is hereby levied and imposed in Arlington County, Fairfax County, Loudoun County, Prince William County, the City of Alexandria, the City of Fairfax, the City of Falls Church, the City of Manassas, and the City of Manassas Park.

§ 58.1-604. Imposition of use tax.

A. There is hereby levied and imposed, in addition to all other taxes and fees now imposed by law, a tax upon the use or consumption of tangible personal property in this Commonwealth, or the storage of such property outside the Commonwealth for use or consumption in this Commonwealth, in the amount of three and one-half percent:

1. Of the cost price of each item or article of tangible personal property used or consumed in this Commonwealth. Tangible personal property which has been acquired for use outside this Commonwealth and subsequently becomes subject to the tax imposed hereunder shall be taxed on the basis of its cost price if such property is brought within this Commonwealth for use within six months of its acquisition; but if so brought within this Commonwealth six months or more after its acquisition, such property shall be taxed on the basis of the current market value (but not in excess of its cost price) of such property at the time of its first use within this Commonwealth. Such tax shall be based on such proportion of the cost price or current market value as the duration of time of use within this Commonwealth bears to the total useful life of such property (but it shall be presumed in all cases that such property will remain within this Commonwealth for the remainder of its useful life unless convincing evidence is provided to the contrary).

2. Of the cost price of each item or article of tangible personal property stored outside this Commonwealth for use or consumption in this Commonwealth.

3. A transaction taxed under § 58.1-603 shall not also be taxed under this section, nor shall the same transaction be taxed more than once under either section.

4. The use tax shall not apply with respect to the use of any article of tangible personal property brought into this Commonwealth by a nonresident individual, visiting in Virginia, for his personal use, while within this Commonwealth.

5. The use tax shall not apply to out-of-state mail order catalog purchases totaling \$100 or less

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58 during any calendar year.

59 *B. In addition to the tax imposed under subsection A, an additional use tax of one percent is hereby*
60 *levied and imposed in Arlington County, Fairfax County, Loudoun County, Prince William County, the*
61 *City of Alexandria, the City of Fairfax, the City of Falls Church, the City of Manassas, and the City of*
62 *Manassas Park.*

63 § 58.1-611.1. Rate of tax on sales of food purchased for human consumption; Food Tax Reduction
64 Program.

65 A. Subject to the conditions of subsections D and E, the tax imposed by §§ *subsection A of 58.1-603*
66 *and subsection A of 58.1-604* on food purchased for human consumption shall be levied and distributed
67 as follows:

68 1. From January 1, 2000, through March 31, 2001, the tax rate on such food shall be three percent
69 of the gross sales price. The revenue from the tax shall be distributed as follows: (i) the revenue from
70 the tax at the rate of one-half percent shall be distributed as provided in subsection A of § 58.1-638, (ii)
71 the revenue from the tax at the rate of one percent shall be distributed as provided in subsections B, C
72 and D of § 58.1-638, and (iii) the revenue from the tax at the rate of one and one-half percent shall be
73 used for general fund purposes.

74 2. From April 1, 2001, through March 31, 2002, the tax rate on such food shall be two and one-half
75 percent of the gross sales price. The revenue from the tax shall be distributed as follows: (i) the revenue
76 from the tax at the rate of one-half percent shall be distributed as provided in subsection A of
77 § 58.1-638, (ii) the revenue from the tax at the rate of one percent shall be distributed as provided in
78 subsections B, C and D of § 58.1-638, and (iii) the revenue from the tax at the rate of one percent shall
79 be used for general fund purposes.

80 3. From April 1, 2002, through March 31, 2003, the tax rate on such food shall be two percent of
81 the gross sales price. The revenue from the tax shall be distributed as follows: (i) the revenue from the
82 tax at the rate of one-half percent shall be distributed as provided in subsection A of § 58.1-638, (ii) the
83 revenue from the tax at the rate of one percent shall be distributed as provided in subsections B, C and
84 D of § 58.1-638, and (iii) the revenue from the tax at the rate of one-half percent shall be used for
85 general fund purposes.

86 4. On and after April 1, 2003, the tax rate on such food shall be one and one-half percent of the
87 gross sales price. The revenue from the tax shall be distributed as follows: (i) the revenue from the tax
88 at the rate of one-half percent shall be distributed as provided in subsection A of § 58.1-638 and (ii) the
89 revenue from the tax at the rate of one percent shall be distributed as provided in subsections B, C and
90 D of § 58.1-638.

91 B. The provisions of this section shall not affect the imposition of tax on food purchased for human
92 consumption pursuant to §§ 58.1-605 and 58.1-606.

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

97 D. Notwithstanding the tax rates set forth in subsection A, the rate of tax on sales of food purchased
98 for human consumption for any twelve-month period beginning on or after April 1, 2001, shall not be
99 reduced below the rate then in effect for the Commonwealth's current fiscal year if:

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

104 2. Any of the events listed in subsection C of § 58.1-3524 or subsection B of § 58.1-3536 have
105 occurred during the then current fiscal year.

106 E. If the tax rate on food purchased for human consumption remains the same for the period January
107 1, 2000, through March 31, 2001, and the subsequent twelve-month period beginning on April 1, 2001,
108 or with respect to any consecutive twelve-month periods beginning on and after April 1, 2001, the tax
109 rate on such food shall remain the same unless none of the conditions described in subsection D have
110 occurred, in which event the tax rate on food purchased for human consumption for the immediately
111 following twelve-month period shall be equal to the next lowest tax rate listed in subsection A.

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

118 G. *The tax imposed by subsection B of § 58.1-603 and by subsection B of § 58.1-604 shall not apply*
119 *to food purchased for human consumption.*

§ 58.1-614. Vending machine sales.

A. Notwithstanding the provisions of §§ 58.1-603 and 58.1-604, whenever a dealer makes sales of tangible personal property through vending machines, or in any other manner making collection of the tax impractical, as determined by the Tax Commissioner, such dealer shall be required to report his wholesale purchases for sale at retail from vending machines and shall be required to remit an amount based on four and one-half percent of such wholesale purchases, *except that such wholesale purchases shall be taxed at a rate of five and one-half percent by the localities set forth in subsection B of § 58.1-603.*

B. Notwithstanding the provisions of §§ 58.1-605 and 58.1-606, dealers making sales of tangible personal property through vending machines shall report and remit the one percent local sales and use tax computed as provided in subsection A of this section.

C. The provisions of subsections A and B of this section shall not be applicable to vending machine operators all of whose machines are under contract to nonprofit organizations. Such operators shall report only the gross receipts from machines selling items for more than ten cents and shall be required to remit an amount based on a percentage of their remaining gross sales established by the Tax Commissioner to take into account the inclusion of sales tax.

D. Notwithstanding any other provisions in this section or § 58.1-628, when the Tax Commissioner determines that it is impractical to collect the tax in the manner provided by those sections, such dealer shall be required to remit an amount based on a percentage of gross receipts which takes into account the inclusion of the sales tax.

E. The provisions of this section shall not be applicable to any dealer who fails to maintain records satisfactory to the Tax Commissioner. A dealer making sales of tangible personal property through vending machines shall obtain a certificate of registration under § 58.1-613 in relevant form for each county or city in which he has machines.

§ 58.1-627. Bracket system for tax at rate of three and one-half percent.

The following brackets of prices shall be used for the collection of the tax imposed by this chapter, *except for such tax imposed in those localities listed in subsection B of § 58.1-603:*

| | | | |
|--------|----|--------|---------|
| \$0.00 | to | \$0.14 | no tax |
| .15 | to | .42 | 1¢ tax |
| .43 | to | .71 | 2¢ tax |
| .72 | to | .99 | 3¢ tax |
| 1.00 | to | 1.28 | 4¢ tax |
| 1.29 | to | 1.57 | 5¢ tax |
| 1.58 | to | 1.85 | 6¢ tax |
| 1.86 | to | 2.14 | 7¢ tax |
| 2.15 | to | 2.42 | 8¢ tax |
| 2.43 | to | 2.71 | 9¢ tax |
| 2.72 | to | 2.99 | 10¢ tax |
| 3.00 | to | 3.28 | 11¢ tax |
| 3.29 | to | 3.57 | 12¢ tax |
| 3.58 | to | 3.85 | 13¢ tax |
| 3.86 | to | 4.14 | 14¢ tax |
| 4.15 | to | 4.42 | 15¢ tax |
| 4.43 | to | 4.71 | 16¢ tax |
| 4.72 | to | 5.00 | 17¢ tax |

Except in the localities set forth in subsection B of § 58.1-603, On on transactions over greater than five dollars, the tax shall be computed at three and one-half percent, one-half cent or more being treated as one cent. In the localities set forth in subsection B of § 58.1-603, on transactions greater than five dollars, the tax shall be computed at four and one-half percent, one-half cent or more being treated as one cent. If a dealer can show to the satisfaction of the Tax Commissioner that more than eighty-five percent of the total dollar volume of his gross taxable sales during the taxable month was from individual sales at prices of ten cents or less each, and that he was unable to adjust his prices in such manner as to prevent the economic incidence of the sales tax from falling on him, the Tax Commissioner shall determine the proper tax liability of the dealer based on that portion of the dealer's gross taxable sales which was from sales at prices of eleven cents or more.

§ 58.1-628. Bracket system for combined state and local tax.

The following brackets of prices shall be used for the collection of the combined state and local tax, *except for such tax imposed in those localities listed in subsection B of § 58.1-603:*

| | | | |
|--------|----|--------|--------|
| \$0.00 | to | \$0.11 | no tax |
|--------|----|--------|--------|

| | | | | | |
|-----|------|----|------|-----|-----|
| 180 | .12 | to | .33 | 1¢ | tax |
| 181 | .34 | to | .55 | 2¢ | tax |
| 182 | .56 | to | .77 | 3¢ | tax |
| 183 | .78 | to | .99 | 4¢ | tax |
| 184 | 1.00 | to | 1.22 | 5¢ | tax |
| 185 | 1.23 | to | 1.44 | 6¢ | tax |
| 186 | 1.45 | to | 1.66 | 7¢ | tax |
| 187 | 1.67 | to | 1.88 | 8¢ | tax |
| 188 | 1.89 | to | 2.11 | 9¢ | tax |
| 189 | 2.12 | to | 2.33 | 10¢ | tax |
| 190 | 2.34 | to | 2.55 | 11¢ | tax |
| 191 | 2.56 | to | 2.77 | 12¢ | tax |
| 192 | 2.78 | to | 2.99 | 13¢ | tax |
| 193 | 3.00 | to | 3.22 | 14¢ | tax |
| 194 | 3.23 | to | 3.44 | 15¢ | tax |
| 195 | 3.45 | to | 3.66 | 16¢ | tax |
| 196 | 3.67 | to | 3.88 | 17¢ | tax |
| 197 | 3.89 | to | 4.11 | 18¢ | tax |
| 198 | 4.12 | to | 4.33 | 19¢ | tax |
| 199 | 4.34 | to | 4.55 | 20¢ | tax |
| 200 | 4.56 | to | 4.77 | 21¢ | tax |
| 201 | 4.78 | to | 5.00 | 22¢ | tax |

202
 203 *Except in the localities set forth in subsection B of § 58.1-603, On on transactions over greater than*
 204 *five dollars, the tax shall be computed at four and one-half percent, one half cent or more being treated*
 205 *as one cent. In the localities set forth in subsection B of § 58.1-603, on transactions greater than five*
 206 *dollars, the tax shall be computed at five and one-half percent, one half cent or more being treated as*
 207 *one cent.* The foregoing bracket system shall not relieve the dealer from the duty and liability to remit
 208 an amount equal to four and one-half percent of his gross taxable sales as provided in this chapter. If
 209 the dealer, however, can show to the satisfaction of the Tax Commissioner that more than eighty-five
 210 percent of the total dollar volume of his gross taxable sales during the taxable month was from
 211 individual sales at prices of ten cents or less each and that he was unable to adjust his prices in such
 212 manner as to prevent the economic incidence of the sales tax from falling on him, the Tax
 213 Commissioner shall determine the proper tax liability of the dealer based on that portion of the dealer's
 214 gross taxable sales which was from sales at prices of eleven cents or more.

215 § 58.1-638. Disposition of state sales and use tax revenue; Transportation Trust Fund; localities'
 216 share; Game Protection Fund.

217 A. The Comptroller shall designate a specific revenue code number for all the state sales and use tax
 218 revenue collected under the preceding sections of this chapter.

219 1. The sales and use tax revenue generated by the one-half percent sales and use tax increase enacted
 220 by the 1986 Special Session of the General Assembly shall be paid, in the manner hereinafter provided
 221 in this section, to the Transportation Trust Fund as defined in § 33.1-23.03:1. Of the funds paid to the
 222 Transportation Trust Fund, an aggregate of 4.2 percent shall be set aside as the Commonwealth Port
 223 Fund as provided in this section; an aggregate of 2.4 percent shall be set aside as the Commonwealth
 224 Airport Fund as provided in this section; and an aggregate of 14.5 percent in fiscal year 1998-1999 and
 225 14.7 percent in fiscal year 1999-2000 and thereafter shall be set aside as the Commonwealth Mass
 226 Transit Fund as provided in this section. The Fund's share of such net revenue shall be computed as an
 227 estimate of the net revenue to be received into the state treasury each month, and such estimated
 228 payment shall be adjusted for the actual net revenue received in the preceding month. All payments shall
 229 be made to the Fund on the last day of each month.

230 2. There is hereby created in the Department of the Treasury a special nonreverting fund which shall
 231 be a part of the Transportation Trust Fund and which shall be known as the Commonwealth Port Fund.

232 a. The Commonwealth Port Fund shall be established on the books of the Comptroller and the funds
 233 remaining in such Fund at the end of a biennium shall not revert to the general fund but shall remain in
 234 the Fund. Interest earned on such funds shall remain in the Fund and be credited to it. Funds may be
 235 paid to any authority, locality or commission for the purposes hereinafter specified.

236 b. The amounts allocated pursuant to this section shall be allocated by the Commonwealth
 237 Transportation Board to the Board of Commissioners of the Virginia Port Authority to be used to
 238 support port capital needs and the preservation of existing capital needs of all ocean, river, or tributary
 239 ports within the Commonwealth.

c. Commonwealth Port Fund revenue shall be allocated by the Board of Commissioners to the Virginia Port Authority in order to foster and stimulate the flow of maritime commerce through the ports of Virginia, including but not limited to the ports of Richmond, Hopewell and Alexandria.

3. There is hereby created in the Department of the Treasury a special nonreverting fund which shall be part of the Transportation Trust Fund and which shall be known as the Commonwealth Airport Fund. The Commonwealth Airport Fund shall be established on the books of the Comptroller and any funds remaining in such Fund at the end of a biennium shall not revert to the general fund but shall remain in the Fund. Interest earned on the funds shall be credited to the Fund. The funds so allocated shall be allocated by the Commonwealth Transportation Board to the Virginia Aviation Board. The funds shall be allocated by the Virginia Aviation Board to any Virginia airport which is owned by the Commonwealth, a governmental subdivision thereof, or a private entity to which the public has access for the purposes enumerated in § 5.1-2.16, or is owned or leased by the Metropolitan Washington Airports Authority (MWAA), as follows:

Any new funds in excess of \$12.1 million which are available for allocation by the Virginia Aviation Board from the Commonwealth Transportation Fund, shall be allocated as follows: sixty percent to MWAA, up to a maximum annual amount of two million dollars, and forty percent to air carrier airports as provided in subdivision A 3 a. Except for adjustments due to changes in enplaned passengers, no air carrier airport sponsor, excluding MWAA, shall receive less funds identified under subdivision A 3 a than it received in fiscal year 1994-1995.

Of the remaining amount:

a. Forty percent of the funds shall be allocated to air carrier airports, except airports owned or leased by MWAA, based upon the percentage of enplanements for each airport to total enplanements at all air carrier airports, except airports owned or leased by MWAA. No air carrier airport sponsor, however, shall receive less than \$50,000 nor more than \$2 million per year from this provision.

b. Forty percent of the funds shall be allocated by the Aviation Board for air carrier and reliever airports on a discretionary basis, except airports owned or leased by MWAA.

c. Twenty percent of the funds shall be allocated by the Aviation Board for general aviation airports on a discretionary basis.

4. There is hereby created in the Department of the Treasury a special nonreverting fund which shall be a part of the Transportation Trust Fund and which shall be known as the Commonwealth Mass Transit Fund.

a. The Commonwealth Mass Transit Fund shall be established on the books of the Comptroller and any funds remaining in such Fund at the end of the biennium shall not revert to the general fund but shall remain in the Fund. Interest earned on such funds shall be credited to the Fund. Funds may be paid to any local governing body, transportation district commission, or public service corporation for the purposes hereinafter specified.

b. The amounts allocated pursuant to this section may be used to support a maximum of fifty percent of the public transportation administrative costs and up to eighty percent of the costs of ridesharing programs borne by the locality. These amounts may be used to support up to ninety-five percent of the local or nonfederal share of capital project costs for public transportation and ridesharing equipment, facilities, and associated costs. Capital costs may include debt service payments on local or agency transit bonds. Further, these amounts may be used to support a maximum of ninety-five percent of the costs borne by the locality for the purchase of fuels, lubricants, tires and maintenance parts and supplies for public transportation. The term "borne by the locality" means the local share eligible for state assistance consisting of costs in excess of the sum of fares and other operating revenues plus federal assistance received by the locality.

c. Commonwealth Mass Transit Fund revenue shall be allocated by the Commonwealth Transportation Board as follows:

(1) Funds for special programs, which shall include ridesharing, experimental transit, and technical assistance, shall not exceed 1.5 percent of the Fund.

(2) The Board may allocate these funds to any locality or planning district commission to finance up to eighty percent of the local share of all costs associated with the development, implementation, and continuation of ridesharing programs.

(3) Funds allocated for experimental transit projects may be paid to any local governing body, transportation district commission, or public corporation or may be used directly by the Department of Rail and Public Transportation for the following purposes:

(a) To finance up to ninety-five percent of the capital costs related to the development, implementation and promotion of experimental public transportation and ridesharing projects approved by the Board.

(b) To finance up to ninety-five percent of the operating costs of experimental mass transportation and ridesharing projects approved by the Board for a period of time not to exceed twelve months.

301 (c) To finance up to ninety-five percent of the cost of the development and implementation of any
302 other project designated by the Board where the purpose of such project is to enhance the provision and
303 use of public transportation services.

304 d. Funds allocated for public transportation promotion and operation studies may be paid to any local
305 governing body, planning district commission, transportation district commission, or public transit
306 corporation, or may be used directly by the Department of Rail and Public Transportation for the
307 following purposes and aid of public transportation services:

308 (1) At the approval of the Board to finance a program administered by the Department of Rail and
309 Public Transportation designed to promote the use of public transportation and ridesharing throughout
310 Virginia.

311 (2) To finance up to fifty percent of the local share of public transportation operations planning and
312 technical study projects approved by the Board.

313 e. At least 73.5 percent of the Fund shall be distributed to each transit property in the same
314 proportion as its operating expenses bear to the total statewide operating expenses and shall be spent for
315 the purposes specified in subdivision 4 b.

316 f. The remaining twenty-five percent shall be distributed for capital purposes on the basis of
317 ninety-five percent of the nonfederal share for federal projects and ninety-five percent of the total costs
318 for nonfederal projects. In the event that total capital funds available under this subdivision are
319 insufficient to fund the complete list of eligible projects, the funds shall be distributed to each transit
320 property in the same proportion that such capital expenditure bears to the statewide total of capital
321 projects.

322 g. There is hereby created in the Department of the Treasury a special nonreverting fund known as
323 the Commonwealth Transit Capital Fund. The Commonwealth Transit Capital Fund shall be part of the
324 Commonwealth Mass Transit Fund. The Commonwealth Transit Capital Fund subaccount shall be
325 established on the books of the Comptroller and consist of such moneys as are appropriated to it by the
326 General Assembly and of all donations, gifts, bequests, grants, endowments, and other moneys given,
327 bequeathed, granted, or otherwise made available to the Commonwealth Transit Capital Fund. Any funds
328 remaining in the Commonwealth Transit Capital Fund at the end of the biennium shall not revert to the
329 general fund, but shall remain in the Commonwealth Transit Capital Fund. Interest earned on funds
330 within the Commonwealth Transit Capital Fund shall remain in and be credited to the Commonwealth
331 Transit Capital Fund. Proceeds of the Commonwealth Transit Capital Fund may be paid to any political
332 subdivision, another public entity created by an act of the General Assembly, or a private entity as
333 defined in § 56-557 and for purposes as enumerated in subdivision 4c of § 33.1-269 or expended by the
334 Department of Rail and Public Transportation for the purposes specified in this subdivision. Revenues of
335 the Commonwealth Transit Capital Fund shall be used to support capital expenditures involving the
336 establishment, improvement, or expansion of public transportation services through specific projects
337 approved by the Commonwealth Transportation Board. Projects financed by the Commonwealth Transit
338 Capital Fund shall receive local, regional or private funding for at least twenty percent of the nonfederal
339 share of the total project cost.

340 5. Funds for Metro shall be paid by the Northern Virginia Transportation Commission (NVTC) to the
341 Washington Metropolitan Area Transit Authority (WMATA) and be a credit to the Counties of
342 Arlington and Fairfax and the Cities of Alexandria, Falls Church and Fairfax in the following manner:

343 a. Local obligations for debt service for WMATA rail transit bonds apportioned to each locality
344 using WMATA's capital formula shall be paid first by NVTC. NVTC shall use ninety-five percent state
345 aid for these payments.

346 b. The remaining funds shall be apportioned to reflect WMATA's allocation formulas by using the
347 related WMATA-allocated subsidies and relative shares of local transit subsidies. Capital costs shall
348 include twenty percent of annual local bus capital expenses. Hold harmless protections and obligations
349 for NVTC's jurisdictions agreed to by NVTC on November 5, 1998, shall remain in effect.

350 Appropriations from the Commonwealth Mass Transit Fund are intended to provide a stable and
351 reliable source of revenue as defined by Public Law 96-184.

352 B. The sales and use tax revenue generated by a one percent sales and use tax shall be distributed
353 among the counties and cities of this Commonwealth in the manner provided in subsections C and D.

354 C. The localities' share of the net revenue distributable under this section among the counties and
355 cities shall be apportioned by the Comptroller and distributed among them by warrants of the
356 Comptroller drawn on the Treasurer of Virginia as soon as practicable after the close of each month
357 during which the net revenue was received into the state treasury. The distribution of the localities' share
358 of such net revenue shall be computed with respect to the net revenue received into the state treasury
359 during each month, and such distribution shall be made as soon as practicable after the close of each
360 such month.

361 D. The net revenue so distributable among the counties and cities shall be apportioned and
362 distributed upon the basis as certified to the Comptroller by the Department of Education, of the number

of children in each county and city according to the most recent statewide census of school population taken by the Department of Education pursuant to § 22.1-284, as adjusted in the manner hereinafter provided. No special school population census, other than a statewide census, shall be used as the basis of apportionment and distribution except that in any calendar year in which a statewide census is not reported, the Department of Education shall adjust such school population figures by the same percent of annual change in total population estimated for each locality by The Center for Public Service. The revenue so apportionable and distributable is hereby appropriated to the several counties and cities for maintenance, operation, capital outlays, debt and interest payments, or other expenses incurred in the operation of the public schools, which shall be considered as funds raised from local resources. In any county, however, wherein is situated any incorporated town constituting a school division, the county treasurer shall pay into the town treasury for maintenance, operation, capital outlays, debt and interest payments, or other expenses incurred in the operation of the public schools, the proper proportionate amount received by him in the ratio that the school population of such town bears to the school population of the entire county. If the school population of any city or of any town constituting a school division is increased by the annexation of territory since the last preceding school population census, such increase shall, for the purposes of this section, be added to the school population of such city or town as shown by the last such census and a proper reduction made in the school population of the county or counties from which the annexed territory was acquired.

E. Beginning July 1, 2000, of the remaining sales and use tax revenue, the revenue generated by a two percent sales and use tax, up to an annual amount of \$13 million, collected from the sales of hunting equipment, auxiliary hunting equipment, fishing equipment, auxiliary fishing equipment, wildlife-watching equipment, and auxiliary wildlife-watching equipment in Virginia, as estimated by the most recent U.S. Department of the Interior, Fish and Wildlife Service and U.S. Department of Commerce, Bureau of the Census National Survey of Fishing, Hunting, and Wildlife-Associated Recreation, shall be paid into the Game Protection Fund established under § 29.1-101 and shall be used, in part, to defray the cost of law enforcement. Not later than thirty days after the close of each quarter, the Comptroller shall transfer to the Game Protection Fund the appropriate amount of collections to be dedicated to such Fund. At any time that the balance in the Capital Improvement Fund, established under § 29.1-101.1, is equal to or in excess of \$35 million, any portion of sales and use tax revenues that would have been transferred to the Game Protection Fund, established under § 29.1-101, in excess of the net operating expenses of the Board, after deduction of other amounts which accrue to the Board and are set aside for the Game Protection Fund, shall remain in the general fund until such time as the balance in the Capital Improvement Fund is less than \$35 million.

F. If errors are made in any distribution, or adjustments are otherwise necessary, the errors shall be corrected and adjustments made in the distribution for the next quarter or for subsequent quarters.

G. *The sales and use tax revenue generated by the additional one percent sales and use tax, effective January 1, 2003, in the localities set forth in subsection B of § 58.1-603 and subsection B of § 58.1-604 shall be distributed as follows:*

1. *One-half of the revenue attributable to such increase shall be distributed to a regional transportation authority established to address and act upon the transportation needs of such localities. Such regional transportation authority shall have been created by legislation passed by the 2001 Session of the General Assembly or the 2002 Session of the General Assembly, and such legislation shall have been signed into law by the Governor. Such revenue shall be used for transportation purposes. Transportation purposes include, but are not limited to, construction, administration, operation, improvement, maintenance and financing of transportation facilities. Such revenue shall be distributed by warrant of the Comptroller drawn on the Treasurer of Virginia as soon as practicable after the close of each month during which the net revenue was received into the state treasury. Distributions to such regional transportation authority shall be computed with respect to the net revenue received into the state treasury during each month.*

2. *One-half of the revenue attributable to such increase shall be distributed to the localities set forth in subsection B of § 58.1-603. The revenue shall be distributed to the locality in which the taxable sale or use is made and shall be distributed in the manner provided in subsection C. Localities shall use this revenue solely for education-related needs, including but not limited to school construction and renovations and repairs to existing schools.*

GH. The term "net revenue," as used in this section, means the gross revenue received into the general fund or the Transportation Trust Fund of the state treasury under the preceding sections of this chapter, less refunds to taxpayers.

2. That the one percent additional sales and use tax provided under this act shall be levied and imposed only if approved in a referendum. The referendum shall be held in accordance with § 24.2-684. Only the qualified voters of Arlington County, Fairfax County, Loudoun County, Prince William County, the City of Alexandria, the City of Fairfax, the City of Falls Church, the

424 City of Manassas, and the City of Manassas Park shall vote on the referendum question. The
425 clerks of the circuit courts for such counties and cities shall publish notice of the referendum in a
426 newspaper of general circulation in the respective county or city once a week for three consecutive
427 weeks prior to the referendum. The referendum shall be held on the Tuesday after the first
428 Monday in November 2002. The regular election officers of Arlington County, Fairfax County,
429 Loudoun County, Prince William County, the City of Alexandria, the City of Fairfax, the City of
430 Falls Church, the City of Manassas, and the City of Manassas Park shall open the polls on such
431 day and shall take the sense of the qualified voters on an additional one percent sales and use tax
432 in those localities, as provided under this act.
433 The ballot used shall be printed to read as follows:
434 "Shall an additional state sales and use tax of one percent be imposed in Arlington County,
435 Fairfax County, Loudoun County, Prince William County, the City of Alexandria, the City of
436 Fairfax, the City of Falls Church, the City of Manassas, and the City of Manassas Park to be used
437 for transportation and education purposes?"
438 3. That the sales and use tax provided under this act shall be effective January 1, 2003, if (i) a
439 majority of the total votes cast upon the referendum question described in the second enactment of
440 this act, and not a majority of votes in each locality, are cast in the affirmative on such question,
441 and (ii) a regional transportation authority established to address and act upon the transportation
442 needs of the localities listed in the second enactment of this act shall have been created by
443 legislation passed by the 2001 Session of the General Assembly or the 2002 Session of the General
444 Assembly and signed into law by the Governor.
445 4. That the Department of Taxation, in accordance with the sales and use tax increase provided in
446 this act, shall promulgate regulations, pursuant to the Administrative Process Act (§ 9-6.14:1),
447 establishing brackets of prices and associated state and combined state and local sales and use
448 taxes on transactions of five dollars or less.
449 5. That any revenues received by the regional transportation authority as provided in this act may
450 be used as security for bonds, appropriated, or used in any other manner as deemed advisable by
451 such authority for meeting transportation needs. In addition, no state or local agency, department,
452 board, commission, or other body shall have any control over the use of such revenues or the
453 amount of such revenues distributed to the authority pursuant to this act.