

DEPARTMENT OF TAXATION

2001 Fiscal Impact Statement

1. **Patron** Hull

3. **Committee** House Counties, Cities and Towns

4. **Title** Local Government Taxing Authority

2. **Bill Number** HB 1794

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would grant to counties the same taxing powers now granted to municipalities.

Under current law, when compared to municipalities, counties are not authorized to impose certain taxes and are limited in the tax rates that they may impose for other taxes.

The effective date of this bill is not specified.

6. Fiscal Impact Estimates are: Unknown (See Line 8).

7. Budget amendment necessary: No.

8. Fiscal implications:

This bill would have no impact on state revenues. The immediate impact on local revenues is uncertain because counties may or may not expand or increase the taxes they impose. Counties may experience an increase in revenues to the extent that they use their increased powers in imposing taxes on meals, admissions, transient occupancy and other local taxes.

9. Specific agency or political subdivisions affected:

All counties

10. Technical amendment necessary: No.

11. Other comments:

This bill would give counties additional taxing powers formerly reserved to municipalities. Examples of limitations which currently apply to counties (except for specifically identified counties and counties excepted under a specific grandfather clause), but not municipalities, include the following:

- The tax rate which counties may impose on food and beverages is limited and the tax may only be levied if approved in a referendum; and
- The tax rate which counties may impose on transient occupancies is limited and the resulting revenue must be designated for certain purposes.

The issue of equalizing city and county taxing authority is addressed in the report of the Commission on Virginia's State and Local Tax Structure for the 21st Century (2001 House Document No. 22). The Commission recommends that the distinction in the taxing authority of Virginia's cities and counties be eliminated. The Commission report states that the distinction is "based solely on an historical legalism and which has no relevancy to modern service responsibilities" The Commission report also notes that equalizing city and county taxing authority will broaden "the potential revenue base of counties, reduce their dependence on their real estate tax base, and make the potential revenue bases and therefore the measurement of revenue effort of cities and counties directly comparable."

c: Secretary of Finance

Date: 1/21/01/JEM

