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**SENATE BILL NO. 37**

Offered January 9, 2002

Prefiled December 20, 2001

A *BILL to amend the Code of Virginia by adding in Chapter 3 of Title 58.1 an article numbered 23, consisting of sections numbered 58.1-550, 58.1-551 and 58.1-552, relating to a grant of authority to cities to impose local income taxes.*

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Patron—Miller, Y.B.

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Referred to Committee on Finance

**Be it enacted by the General Assembly of Virginia:**

**1. That the Code of Virginia is amended by adding in Chapter 3 of Title 58.1 an article numbered 23, consisting of sections numbered 58.1-550, 58.1-551 and 58.1-552 as follows:**

*Article 23.**Local Income Tax of Cities.*

§ 58.1-550. *Certain cities authorized to levy a local income tax.*

A. Any city may levy a local income tax at any increment of one-quarter percent up to a maximum rate of one percent upon the Virginia taxable income as determined in § 58.1-322 for an individual or § 58.1-361 for a fiduciary of an estate or trust, for each taxable year of every resident of such city having income from sources within such city. The same tax rate shall apply to individuals and fiduciaries.

B. Cities may levy a local income tax pursuant to this article upon the adoption of an ordinance by the governing body of the city and the tax may thereafter be imposed, modified, or repealed as any other tax the governing body is empowered to levy subject only to the limitations herein.

C. All revenues distributed to a city under this article shall be applied and expended for transportation or education purposes, including, without limitation, construction, administration, operation, improvement, maintenance and financing of transportation or education facilities. As used in this section, the term "transportation facilities" shall include all transportation related facilities including, but not limited to, all highway systems, public transportation or mass transit systems as defined in § 33.1-12, airports as defined in § 5.1-1, and port facilities as defined in § 62.1-140. Such term shall be liberally construed for purposes of this section.

Any city that levies a local income tax under this article shall not reduce the total amount of its annual general fund appropriations, exclusive of the revenues derived from the tax levied under this article, for transportation and education purposes below the total amount appropriated for those purposes in the fiscal year preceding the adoption of the ordinance levying the tax.

Revenues derived by a city from the local income tax levied under this article shall be in addition to those allocated to the city from state transportation or education funds, which allocations shall not be reduced as a result of any revenues received hereunder.

D. If any revenues distributed to a city under subsection C are applied or expended for any transportation facilities under the control and jurisdiction of any state agency, board, commission or authority, such transportation facilities shall be constructed, operated, administered, improved and maintained in accordance with laws, rules, regulations, policies and procedures governing said state agency, board, commission or authority.

E. Any city that levies a local income tax under the authority of Article 22 (§ 58.1-540 et seq.) of Chapter 3 of Title 58.1 may not at the same time also levy the local income tax authorized under this article.

§ 58.1-551. *Administration of local income tax.*

Except for the provisions of §§ 58.1-540, 58.1-542, 58.1-543 and 58.1-549 and the provisions of subsections E and F of § 58.1-548, the provisions of Article 22 (§ 58.1-540 et seq.) of Chapter 3 of Title 58.1 shall apply mutatis mutandis for purposes of the administration of the tax authorized under this article.

§ 58.1-552. *Expiration of authority to levy tax.*

Notwithstanding any other provision of law, no tax levied by a city under the authority of this article shall continue to be levied on or after a date ten years from the effective date of the tax in such city.

INTRODUCED

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