

DEPARTMENT OF TAXATION

2003 Fiscal Impact Statement

1. **Patron** Petersen

3. **Committee** House Finance

4. **Title** Cigarette Tax: Increase tax rate in Arlington and Fairfax Counties

2. **Bill Number** HB 2026

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would allow Arlington and Fairfax Counties to increase their local cigarette tax rates from 5 cents per pack to a maximum of 50 cents. Increased revenues from the rate increase must be used solely for public school construction and infrastructure improvements.

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

7. Budget amendment necessary: No.

8. Fiscal implications:

This bill would increase the local tax revenue of Arlington and Fairfax Counties if each county imposed the tax this bill authorizes. If each locality imposed the maximum 50 cents per pack local cigarette tax rate effective July 1, 2003, Arlington County local cigarette tax revenues would increase by an estimated \$491,502 in FY 2003 and \$5.9 million in FY 2004 and FY 2005. Fairfax County revenues would likewise increase by an estimated \$1.5 million in FY 2003, \$17.5 million in FY 2004 and \$17.4 million in FY 2005. Because the cigarette tax is included in the price on which sales tax is computed, sales tax revenues would increase by a total of \$447,000 in FY 2004 and \$484,000 in FY 2005, provided both localities impose the additional cigarette tax at the maximum rate.

9. Specific agency or political subdivisions affected:

Arlington and Fairfax Counties

10. Technical amendment necessary: None.

11. Other comments:

At the present time, two counties, twenty-two cities and twenty-two towns impose a cigarette tax. Only the counties of Arlington and Fairfax are limited, at 5 cents per pack. Under this bill, these two counties could increase their local cigarette tax rate from 5 cents per pack to 50 cents. Increased revenues from the rate increase would be used solely for public school construction and public school infrastructure improvements including, but not limited to, technology infrastructure; additions, renovations, and retrofitting of existing school buildings; new school construction; and site acquisition.

Other Legislation

Senate Bill 900 would allow counties to impose a local cigarette tax.

Senate Bill 901 would allow Isle of Wight County to impose a local cigarette tax at up to five cents a pack or the amount levied under state law, whichever is greater.

House Bill 2247 would increase the state tax on cigarettes from 2 ½ cents per pack to 25 cents per pack. The bill would also allow localities to impose a local cigarette tax of up to 50 cents per pack.

House Bill 2025 would allow all counties to impose a local cigarette tax not to exceed 50 cents per pack. All additional revenues would be used solely for capital projects for public schools and public school infrastructure improvements.

House Bill 2531 would allow Arlington and Fairfax Counties to increase their cigarette tax from 5 cents to 30 cents per pack.

cc : Secretary of Finance

Date: 01/16/03/TST

Document : S:\2003leg\WorkInProgress\OTPwork\House Bills\HB2026F161.doc