

**DEPARTMENT OF TAXATION
2004 Fiscal Impact Statement**

1. Patron William K. Barlow

3. Committee House Finance

4. Title Cigarette Taxes; Counties

2. Bill Number HB 972

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would authorize all counties to impose a local cigarette tax at a rate not to exceed 50 cents per pack.

This bill does not specify an effective date.

6. Fiscal Impact Estimates are: Not available. (See Line 8.)

7. Budget amendment necessary: No.

8. Fiscal implications:

As increased local cigarette taxes would increase cigarette prices, the state and counties would experience an increase in sales tax revenue. The amount of increased sales tax revenue is unknown because it is not known which counties would impose a tax and at what rate they would impose it. This bill would have an unknown positive impact on county cigarette tax revenue. The amount of increased cigarette tax revenue is unknown because it is not known which counties would impose a tax and at what rate they would impose it. However, if every county imposed the maximum 50 cents per pack tax, then local revenues would increase by \$5.6 million in FY 2004, \$160.3 million in FY 2005 and \$158.7 million in FY 2006.

9. Specific agency or political subdivisions affected:

All counties.

10. Technical amendment necessary: No.

11. Other comments:

Local Cigarette Taxes

All cities and towns with general taxing powers are currently authorized to impose a cigarette tax with no rate limitations. Twenty-four cities and twenty towns impose a cigarette tax. Only two counties, Arlington and Fairfax, are authorized to impose a local cigarette tax, which is limited to 5 cents per pack.

Proposal

This bill would authorize all counties to impose a local cigarette tax at a rate not to exceed 50 cents per pack.

Other Legislation

House Bill 1081 and **Senate Bill 467** would increase the state cigarette tax rate to 25 cents per pack and, when fully phased in, would authorize all localities to impose a local cigarette tax at a rate not to exceed 50 cents a pack.

House Bill 74 would authorize all counties to impose a local cigarette tax at a rate not to exceed 50 cents a pack.

House Bill 802 would authorize all counties to impose a local cigarette tax with no rate limitation.

Senate Bill 478 would authorize Roanoke County to impose a local cigarette tax at a rate not to exceed 15 cents per pack.

House Bill 793 would increase the state cigarette tax rate to 25 cents per pack and would authorize all localities to impose a local cigarette tax at a rate not to exceed 50 cents a pack.

Senate Bill 465 would increase the state cigarette tax rate to 35 cents per pack and impose a 10% state tax on other tobacco products, and, when fully phased in, would authorize all localities to impose a local cigarette tax at a rate not to exceed 55 cents a pack.

Senate Bill 74 would increase the state cigarette tax rate to 65 cents per pack and, when fully phased in, would authorize all localities to impose a local cigarette tax at a rate not to exceed 50 cents a pack.

House Bill 886 would increase the state cigarette tax rate to 50 cents per pack and limit all local cigarette tax rates to the rate imposed on January 1, 2004.

Senate Bill 269 would increase the state cigarette tax to \$1 per pack and limit all local cigarette tax rates to the rate imposed on January 1, 2004.

House Bill 33 would impose a state tax on all tobacco products at the rate of 50 cents per pack or 5 cents per cigar and allow all localities to impose a local tobacco products tax at a rate not to exceed 25 cents per pack or 3 cents per cigar.

Senate Bill 530 would increase the state cigarette tax rate to 30 cents per pack, distribute all state cigarette tax revenues to local governments, and repeal all local cigarette taxes.

House Bill 72 would increase the state cigarette tax rate to 50 cents per pack.

House Bill 103 would increase the state cigarette tax rate to 60 cents per pack.

Senate Bill 455 would increase the state cigarette tax rate to 75 cents per pack and impose a 3% state tax on other tobacco products.

cc : Secretary of Finance

Date: 1/30/2004 JEM