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HOUSE BILL NO. 2702

Offered January 12, 2005

Prefiled January 12, 2005

A *BILL to amend the Code of Virginia by adding in Chapter 3 of Title 58.1 an article numbered 2.1, consisting of sections numbered 58.1-327, 58.1-328, and 58.1-329, relating to distribution of a portion of individual income tax revenues to localities; Localities' Share of Individual Income Tax Revenue Fund.*

Patron—Sickles

Referred to Committee on Appropriations

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 2.1, consisting of sections numbered 58.1-327, 58.1-328, and 58.1-329, as follows:

*Article 2.1.**Individual Income Tax Revenue Distribution to Localities.*

§ 58.1-327. Percent of individual income tax revenue distributed to localities; Localities' Share of Individual Income Tax Revenue Fund.

A. Beginning September 1, 2005, a percentage of the revenue that the Commonwealth collects from the individual income tax for the immediately preceding fiscal year shall be distributed to the localities for their unrestricted use in accordance with the following:

*Fiscal Year*Percent of individual

income tax revenues

*2005*1% of FY 2004

*2006*2% of FY 2005

*2007*3% of FY 2006

*2008*4% of FY 2007

*2009 and each*5% of FY 2008 and each

*year thereafter*year thereafter

B. There is hereby created on the books of the Comptroller in the Department of the Treasury a special nonreverting fund that shall be known as the Localities' Share of Individual Income Tax Revenue Fund. The fund shall consist of the individual income tax revenue amount calculated in accordance with subsection A, as reported by the Commissioner, no later than August 1, to the State Treasurer who shall credit such amount to the fund. These funds shall be used exclusively for the distributions to localities described in § 58.1-328.

§ 58.1-328. Determination of amount for distribution to each locality.

After determining the total amount to be distributed to localities in accordance with § 58.1-327, the amount of individual income tax revenue to be distributed to each locality shall be calculated as follows:

1. Distribution to cities and counties.

a. Fifty percent of the total amount shall be distributed based on the relative share of the total individual income tax paid by taxpayers filing returns in each locality. The amount of individual income tax payments by locality listed in the most recent Department of Taxation's Annual Report shall be used to calculate this part of the formula.

b. Forty percent of the total amount shall be distributed based on where wages are earned. The amount of each locality's relative share of the total statewide wages earned according to the most recent Bureau of Labor Statistics ES202 data obtained from the Virginia Employment Commission annually shall be used to calculate this part of the formula.

c. Ten percent of the total amount shall be distributed equally among all the counties and cities.

2. Distribution between counties and towns.

Each county in which one or more towns are located shall share its distribution of individual income tax revenues, as calculated in subdivision 1, with the town or towns as follows:

a. Fifty percent of the county's distribution shall be divided between the county and the town or towns located within the county based on each town's share of the total county population.

b. Fifty percent of the county's distribution remains with the county. If there are no towns within the county, 100 percent of the county's distribution remains with the county.

§ 58.1-329. Time of distributions to localities; corrections of amounts.

The State Comptroller shall authorize the State Treasurer to make the distributions to the localities

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59 *in the amounts determined in accordance with § 58.1-328 no later than September 1 of each year. If the*
60 *Department determines that the correct amount has not been distributed to any locality then the*
61 *locality's distribution for the next fiscal year shall be adjusted to account for the difference and an*
62 *explanation shall be provided to the locality at that time.*