

**DEPARTMENT OF TAXATION
2005 Fiscal Impact Statement**

1. Patron John S. Edwards

3. Committee Senate Finance

4. Title Cigarette Taxes; Roanoke County

2. Bill Number SB 478

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would amend Roanoke County's charter to authorize it to impose a local cigarette tax at a rate not to exceed 15 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:

This bill would have an unknown positive impact on cigarette tax revenue in Roanoke County. The amount of increased cigarette tax revenue is unknown because it is not known whether Roanoke County would impose a local cigarette tax and at what rate it would impose the tax. However, if Roanoke County imposed a local cigarette tax at the maximum rate authorized by this bill, then local revenues would increase by \$300,000 in FY 2005, \$1.09 million in FY 2006 and \$1.08 million in FY 2007.

Also, as increased local cigarette taxes would increase cigarette prices, the state and Roanoke County would experience an increase in sales tax revenue. The amount of increased sales tax revenue is unknown because it is not known whether Roanoke County would impose a local cigarette tax and at what rate it would impose the tax.

9. Specific agency or political subdivisions affected:

Roanoke County.

10. Technical amendment necessary: No.

11. Other comments:

State Cigarette Tax

The state cigarette tax is currently 20 cents per pack. It will increase to 30 cents per pack on July 1, 2005. The cigarette tax is paid by wholesale dealers through the purchase of stamps, which must be affixed to each container from which cigarettes are sold. A discount equal to 2.5 cents for a ten-pack carton of cigarettes is available to wholesalers that stamp cigarettes. Wholesalers file a monthly report with the Department of Taxation showing the quantities of cigarettes purchased and stamped.

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 the amount of the state cigarette tax rate.

cc : Secretary of Finance

Date: 1/13/2005 JEM