

**DEPARTMENT OF TAXATION  
2006 Fiscal Impact Statement**

1. **Patron** William K. Barlow

2. **Bill Number** HB 1215

3. **Committee** House Finance

**House of Origin:**

  X   **Introduced**

      **Substitute**

      **Engrossed**

4. **Title** Local Cigarette Tax; County of Isle of Wight

**Second House:**

      **In Committee**

      **Substitute**

      **Enrolled**

**5. Summary/Purpose:**

This bill would authorize the County of Isle of Wight to impose a local cigarette tax at a rate not to exceed that of the state cigarette tax.

Under current law, Arlington and Fairfax are the only counties authorized to impose local cigarette taxes.

The effective date of this bill is not specified.

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

**7. Budget amendment necessary:** No.

**8. Fiscal implications:**

Isle of Wight would experience an increase in cigarette tax revenues if it exercised its authority to impose a local cigarette tax. Additionally, as the imposition of a local cigarette tax in the County of Isle of Wight would increase cigarette prices in the county, the state and the county would experience an increase in sales tax revenue as a result of this bill if Isle of Wight exercised its authority to impose a local cigarette tax. The amount of increased sales tax and cigarette tax revenues is unknown because it is not known whether Isle of Wight would exercise its authority to impose a local cigarette tax and at what rate they would impose it. However, if Isle of Wight imposed the tax at the maximum rate of 30 cents per pack, it is estimated that local cigarette tax revenues would increase by \$335,000 per year.

**9. Specific agency or political subdivisions affected:**

Isle of Wight

**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 local cigarette tax with no rate limitations. Thirty cities and twenty-nine towns currently impose a cigarette tax. Only two counties, Arlington and Fairfax, are authorized to impose a local cigarette tax, which is limited to the state cigarette tax rate of 30 cents per pack.

### Proposal

This bill would authorize the County of Isle of Wight to impose a local cigarette tax at a rate not to exceed that of the state cigarette tax.

### Other Legislation

**House Bill 395** would increase the state cigarette tax to 80 cents per pack.

**House Bill 569** would change the penalties regarding unstamped cigarettes.

**House Bill 612** and **Senate Bill 418** would authorize a cigarette tax bad debt deduction.

cc : Secretary of Finance

Date: 01/16/2006 JEM