

**DEPARTMENT OF TAXATION  
2007 Fiscal Impact Statement**

**1. Patron** John J. Welch, III

**2. Bill Number** HB 2315

**3. Committee** Senate Finance

**House of Origin:**

☐ Introduced

☐ Substitute

☐ Engrossed

**4. Title** Meals Tax: Referendum Required in Certain Cities

**Second House:**

☒ In Committee

☐ Substitute

☐ Enrolled

**5. Summary/Purpose:**

This bill would prohibit any city from imposing a new, or increasing the rate of an existing, local meals tax that would result in a local meals tax rate greater than 5.5 percent, unless such tax or rate increase is first approved by a citywide referendum. Any resolution or petition for such a referendum would be required to state which projects or purposes the revenues collected from the tax would be used to fund. The question on the ballot for the referendum would also have to include the projects or purposes the revenue collected would be used to fund.

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:**

This bill would have no impact on state revenues. In the event that a referendum required by this bill fails, the affected city would not gain the revenue from the proposed new tax or increased tax rate, but it would not lose any revenue.

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

All Cities.

**10. Technical amendment necessary:** No.

## **11. Other comments:**

### **Generally**

Currently, any city or town having general taxing powers as established by charter may impose a local meals tax through the adoption of an ordinance by the local governing body. All Virginia cities and 96 towns currently impose a meals tax, with the median rate being 5% for cities and 4% for towns.

### **Proposal**

This bill would prohibit any city from adopting a new meals tax with a rate greater than 5.5 percent or increasing the rate of its existing meals tax to a rate that is greater than 5.5 percent, unless approved by its voters through a referendum. The referendum would have to be initiated by either a resolution of the city council or the filing of a petition signed by a number of registered voters equal to at least ten percent of the registered voters in the city on January 1 of the year that the petition is filed. Any resolution or petition for such a referendum would be required to state which projects or purposes the revenues collected from the tax would be used to fund. The question on the ballot for the referendum would also have to include the projects or purposes the revenue collected would be used to fund.

cc : Secretary of Finance

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