

DEPARTMENT OF TAXATION

2009 Fiscal Impact Statement

1. **Patron** Robert D. Hull

2. **Bill Number** HB 2006

3. **Committee** House Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. **Title** Local Government; Equalization of Taxing
Authority of Counties with that of Cities and
Towns

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would grant any county the same taxing powers now granted to cities and towns, provided that the combined total of any new tax revenue from this expanded authority and the proposed equalized real estate tax rate would not result in an increase of more than five percent of the combined total of those taxes from the prior tax year.

Under current law, when compared to cities and towns, counties are not authorized to impose certain taxes and are limited in the tax rates that they may impose for other 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:

This bill would have no impact on state revenues. The immediate impact on local revenues is uncertain because it is unknown whether counties would exercise the authority granted by this bill to impose additional taxes or increase their tax rates. Counties may experience an increase in revenues to the extent that they exercise their increased powers in imposing taxes on meals, admissions, transient occupancy and other local taxes. However, the combined total of any new tax revenue from this expanded authority and the proposed equalized real estate tax rate would be limited to five percent of the combined total of those taxes from the prior tax year.

9. Specific agency or political subdivisions affected:

All counties

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

11. Other comments:

Taxing Authority of Counties

Examples of limitations which currently apply to counties (except for specifically identified counties and counties excepted under a specific grandfather clause), but not cities and towns, include the following:

- The tax rate that counties may impose on food and beverages is limited and the tax may only be levied if approved in a referendum; and
- The tax rate that counties may impose on transient occupancies is limited and the resulting revenue must be designated for certain purposes.

The issue of equalizing city and county taxing authority was recently addressed in the report of the Commission on Virginia's State and Local Tax Structure for the 21st Century (2001 House Document No. 22). The Commission recommended that the distinction in the taxing authority of Virginia's cities and counties be eliminated. The Commission report states that the distinction is "based solely on an historical legalism and which has no relevancy to modern service responsibilities" The Commission report also notes that equalizing city and county taxing authority will broaden "the potential revenue base of counties, reduce their dependence on their real estate tax base, and make the potential revenue bases and therefore the measurement of revenue effort of cities and counties directly comparable."

Proposal

This bill would grant to any county the same taxing powers that are currently granted to cities and towns, provided that the combined total of any new tax revenue from such expanded authority and the proposed equalized real estate tax rate would not result in an increase of greater than five percent of the combined total of those taxes from the prior tax year.

The effective date of this bill is not specified.

Other Legislation

House Bill 1783 would grant any county the same taxing powers now granted to cities and towns.

House Bill 1784 would grant any county the same taxing powers now granted to municipalities, provided that the county contributes two percent or more toward the costs of construction or improvement of the urban system highway or street construction projects within the county.

cc : Secretary of Finance

Date: 1/17/2009 KP
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