

DEPARTMENT OF TAXATION

2012 Fiscal Impact Statement

1. **Patron** Nick Rush

2. **Bill Number** HB 795

3. **Committee** House Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. **Title** Food and Beverages Tax; Floyd County May
Impose without a Referendum

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would add Floyd County to the list of localities that are authorized to levy a food and beverages tax at a maximum rate of four percent without a referendum. In order to impose this tax without a referendum, the governing body of Floyd County would be required to hold a public hearing at which they would unanimously vote to adopt the local ordinance imposing the tax. In addition, the bill would require Floyd County to decrease its real property tax rate to a level that will reduce its real property tax revenues by an amount equal to the estimated amount of revenue that would be generated by the food and beverages tax if Floyd County were to impose it.

Under current law, any county may impose a food and beverage tax at a maximum rate of four percent if the tax is approved in a referendum. The counties of Roanoke, Rockbridge, Frederick, Arlington, and Montgomery, however, are excluded from this requirement if the governing body holds a public hearing before adopting the tax by local ordinance by a unanimous vote.

The effective date of this bill is not specified.

6. **Budget amendment necessary:** No.

7. **No Fiscal Impact.** (See Line 8.)

8. **Fiscal implications:**

This bill would have no impact on state revenues. To the extent that Floyd County's governing board unanimously votes to impose the tax, this bill would require a decrease in local real property tax revenue to an amount that would equal any increase in revenue generated by the food and beverages tax. Therefore, the overall revenue impact to Floyd County would be neutral.

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

Floyd County

10. Technical amendment necessary: No.

11. Other comments:

Current Law

Every county is authorized to levy a tax on food and beverages sold for human consumption at a maximum rate of four percent of the amount charged for such food and beverages. The tax may not be levied on food and beverages sold through vending machines, by nonprofit cafeterias in public schools, by nursing homes, and by hospitals. The tax does apply to prepared foods ready for human consumption sold at grocery stores and convenience stores.

In order for a locality to impose the tax, it must be approved in a referendum within the county and must be initiated either by a resolution of the board of supervisors or on the filing of a petition signed by a number of registered voters of the county equal in number to 10 percent of the number of voters registered in the county, as appropriate on January 1 of the year in which the petition is filed with the court of such county. If the board of supervisors' resolution or the petition states the purposes for which revenues collected from the tax are to be used, then the question on the ballot for the referendum must include language stating these purposes.

The Counties of Arlington, Frederick, Montgomery, Roanoke, and Rockbridge are currently authorized to levy a tax on food and beverages sold for human consumption without approval in a referendum. In order to be excused from the referendum requirement, the governing body of these localities must hold a public hearing before adopting a local food and beverage tax and must, by unanimous vote, adopt the tax by local ordinance.

Proposal

This bill would add Floyd County to the list of localities that are authorized to levy a food and beverages tax at a maximum rate of four percent without a referendum. In order to impose this tax without a referendum, the governing body of Floyd County would be required to hold a public hearing at which they would unanimously vote to adopt the local ordinance imposing the tax. In addition, the bill would require Floyd County to decrease its real property tax rate to a level that will reduce its real property tax revenues by an amount equal to the estimated amount of revenue that would be generated by the food and beverages tax if Floyd County were to impose it.

The effective date of this bill is not specified.

cc : Secretary of Finance

Date: 1/21/2012 KP
DLAS File Name: HB795F161