

**DEPARTMENT OF TAXATION
2012 Fiscal Impact Statement**

- 1. Patron** Emmett W. Hanger, Jr.
- 3. Committee** House Finance
- 4. Title** Local Cigarette Tax; Stamps

- 2. Bill Number** SB 394
House of Origin:
☐ Introduced
☐ Substitute
☐ Engrossed
- Second House:**
☒ In Committee
☐ Substitute
☐ Enrolled

5. Summary/Purpose:

The bill would provide that any tax stamp or meter impression used to evidence the payment of a local cigarette tax must be of the same stamp technology that is used or required by the Commonwealth for the state cigarette tax stamp.

Under current law, the state cigarette tax stamp must be affixed to each individual package, bag, box or can in such a manner that their removal will require continued application of water or steam. The Department is authorized to design, adopt and promulgate the form and kind of stamps to be used.

The bill would be effective January 1, 2013.

- 6. Budget amendment necessary:** No.
- 7. Fiscal Impact Estimates are:** Not available. (See Line 8.)
- 8. Fiscal implications:**

This bill would have no impact on state revenues. To the extent that localities using different stamp technology from that used by the Commonwealth would be required to purchase different stamps, this bill would result in an unknown impact to localities.

9. Specific agency or political subdivisions affected:

All localities that impose a local cigarette tax

10. Technical amendment necessary: No.

11. Other comments:

Virginia Cigarette Tax Stamp

Under current law, the state cigarette tax stamp must be affixed to each individual package, bag, box or can in such a manner that their removal will require continued application of water or steam. The Department is authorized to design, adopt and promulgate the form and kind of stamps to be used. 23 *Virginia Administrative Code* 10-370-70 provides that stamps and meter impressions may be affixed by using (1) hand applied stamps, (2) heat stamps attached to the cellophane wrappers and applied by a fusion stamping machine, or (3) Virginia tax paid impressions on the cellophane wrappers applied by cigarette tax stamping meter.

Local Cigarette Taxes

All cities and towns with general taxing powers are currently authorized to impose a cigarette tax with no rate limitations. Currently, the Department is aware of 90 jurisdictions reporting that they impose the local cigarette tax, including thirty-one cities and fifty-seven towns. 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. The state cigarette tax rate is currently 30 cents per pack of 20 cigarettes. Local cigarette taxes are typically administered and enforced at the local level. However, the Northern Virginia Cigarette Tax Board ("NVCTB") administers and enforces the local cigarette tax on behalf of 16 northern Virginia jurisdictions.

Virginia Code § 58.1-3830 authorizes localities that impose a cigarette tax to use local cigarette tax stamps to evidence payment of the tax and *Va. Code* § 58.1-3832 authorizes joint enforcement agencies to issue their own tax stamp. Local government and joint enforcement agencies may enter into an arrangement with the Department to use a dual stamp to evidence the payment of both the state and local taxes. The NVCTB uses a dual stamp that represents both the state and local cigarette taxes. This dual stamp is sold by the Department for the state cigarette tax rate. Stamping agents remit the tax to the NVCTB via a monthly return that lists all retailers by jurisdiction.

Proposal

The bill would provide that any tax stamp or meter impression used to evidence the payment of a local cigarette tax must be of the same stamp technology that is used or required by the Commonwealth for the state cigarette tax stamp.

The bill would be effective January 1, 2013.

Similar Legislation

House Bill 277 is identical to this bill.

House Bill 1079 would prohibit any locality, agency, or authority administering a local cigarette tax from restricting any person selling, storing, possessing, or transporting

cigarettes from transferring stamped cigarettes he legally possesses between his business locations in the same county, city, or town.

House Bill 1081 would repeal the statute authorizing the provisions for administering and enforcing the local cigarette tax a locality may enact by ordinance.

cc : Secretary of Finance
Date: 2/14/2012 AM
DLAS File Name: SB394FE161