

**Commission on Local Government**

**Estimate of Local Fiscal Impact**

2017 General Assembly Session

**Bill:** HB 1950

**Patron:** Peace

**Date:** 1/20/2017

In accordance with the provisions of §30-19.03 of the Code of Virginia, the staff of the Commission on Local Government offers the following analysis of the above-referenced legislation:

**Bill Summary:**

Requires localities that impose a local cigarette tax and require stamps as evidence of payment to provide a refund for any stamps that are returned to the locality.

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**Executive Summary:**

HB 1950 requires localities to provide a refund for any returned cigarette stamps. Localities have evaluated fiscal impacts ranging from \$0.01 - \$2.00. Many localities noted that the bill would not impact them as they do not impose a local cigarette tax. Some localities noted that they are either issuing refunds when the stamps are returned, or the program is being administered by another Board/Agency, so the bill would not have any fiscal impacts. One locality noted that the bill would create administrative burdens such as updating the City Code.

Please note that one locality noted that the impact is indeterminate as they are not certain about the refund amount (i.e. a full refund or the net of a fee they charge on returned stamps).

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**Local Analysis:**

**Locality:** Augusta County

**Estimated Fiscal Impact:** \$1.00

Augusta County does not impose a local cigarette tax, therefore no refunds would be realized. Used \$1 as it won't allow a zero.

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**Locality:** Chesapeake Public Schools

**Estimated Fiscal Impact:** \$2.00

No impact on schools.

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Locality: City of Alexandria

Estimated Fiscal Impact: \$1.00

No fiscal impact. The City of Alexandria's cigarette tax program is administered by the Northern Virginia Cigarette Tax Board (NVCTB). Currently, the NVCTB issues stamp credits when verifiable documentation is submitted. The verifiable documentation includes an affidavit from the Manufacturer, monthly cigarette tax report for the period in which the retailer returns the cigarettes, and a copy of the invoices from the Wholesaler. These verifiable documents allows the NVCTB to issue tax credits in the amount of taxes paid.

Locality: City of Danville

Estimated Fiscal Impact: \$0.01

The City of Danville does not levy this tax - there would be no financial impact.

Locality: City of Harrisonburg

Estimated Fiscal Impact: \$0.01

There would be no impact to the city. The city already provides refunds for returned cigarette stamps.

Locality: City of Lynchburg

Estimated Fiscal Impact: \$1.00

The City of Lynchburg currently issues refunds when stamps are returned so there would be no fiscal impact.

Locality: City of Martinsville

Estimated Fiscal Impact: \$1.00

This would have no impact on the City of Martinsville as this is already our practice.

Locality: City of Norfolk

Estimated Fiscal Impact: \$0.01

Estimated reduction in local revenue; however, final impact is unknown. Norfolk currently provides refunds for all stamps less six percent of the denominational face value. Should Norfolk have to refund the full value of the stamps without reserving a six percent charge, there will be a reduction in local revenue.

Locality: City of Roanoke

Estimated Fiscal Impact: \$1.00

The city already provides a refund for any stamps that are returned to the locality.

**Locality:** City of Winchester

**Estimated Fiscal Impact:** \$1.00

This bill would require refunds for unused cigarette tax stamps returned the locality. Here in the City we already offer refunds under these conditions, so there would be no net effect to the City (other than potentially updating City Code to cite the new state code section).

**Locality:** Franklin County

**Estimated Fiscal Impact:** \$1.00

Franklin County does not currently impose a cigarette tax.

**Locality:** Henrico County

**Estimated Fiscal Impact:** \$0.01

Henrico does not impose a cigarette tax.

**Locality:** Louisa County

**Estimated Fiscal Impact:** \$1.00

Louisa County does not currently impose a local cigarette tax so at this time it would not have a fiscal impact. If Louisa County was allowed to impose the cigarette tax in the future, refunds of unused stamps would add to the administrative burden as well as reduce revenues collected. If refunds are required of any stamps that are returned, they should be limited to one year after the date of issue by the county.

\*\*System required an impact, so I put \$1, but it should be \$ .00.

**Locality:** Rockingham County

**Estimated Fiscal Impact:** \$0.01

Rockingham County does not currently have a cigarette tax.

**Locality:** Spotsylvania County

**Estimated Fiscal Impact:** \$0.01

Spotsylvania County does not have a local cigarette tax.

**Locality:** Town of Boones Mill

**Estimated Fiscal Impact:** \$1.00

Boones Mill does not have a cigarette tax.

This bill makes sense to me. I examined cigarette tax procedure last year and considered adding this tax for the Town's use. If a dealer buys extra stamps and needs to return them, refunding the unused, prepaid tax makes sense. We shouldn't penalize dealers for overoptimism in their sales projections.

No objection.

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**Locality:** Wise County

**Estimated Fiscal Impact:** \$1.00

Only impact would be administrative. We do not currently receive so the cost (if any) would only reduce the potential revenue.

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