

Commission on Local Government

Estimate of Local Fiscal Impact

2017 General Assembly Session

Bill: SB 1329

Patron: Carrico

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:

Allows all localities to impose a cigarette tax by removing the requirement that only those localities that had such authority prior to 1977 are eligible. The bill sets a maximum rate on the cigarette tax imposed by counties of five cents per pack or the amount levied under state law, whichever is greater.

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**Executive Summary:**

SB 1329 allows all localities to impose cigarette tax and set the maximum rate for cigarette tax. Localities have evaluated a positive fiscal impact ranging from \$0.01 - \$400,000.00. Some localities noted that the bill would have positive fiscal impact as they currently are not allowed to impose a cigarette tax. Other localities noted that the bill would not have an impact as they currently administer a cigarette tax. One locality noted that they administer a cigarette tax without state limitation as they are a city and not a county.

Please note that one professional organization provided a positive fiscal impact of \$6,000,000.00 but noted that the fiscal impact is not quantifiable without knowing what localities would choose to impose the tax.

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**Local Analysis:**

**Locality:** Augusta County

**Estimated Fiscal Impact:** \$400,000.00

Augusta County supports the ability to generate additional revenue by allowing the County to impose a cigarette tax. I based the estimate above on the budgets of the two Cities that are located within Augusta County boundaries, both of which impose the tax currently.

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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 already administer a cigarette tax without the state limitation because we are a city and not a county.

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Locality: City of Danville

Estimated Fiscal Impact: \$0.01

Danville already has the authority to levy this tax under general taxing powers.

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**Locality:** City of Harrisonburg

**Estimated Fiscal Impact:** \$0.01

No fiscal impact on the city as this seems to impact on Counties.

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Locality: City of Lynchburg

Estimated Fiscal Impact: \$1.00

This does not impact the City of Lynchburg.

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**Locality:** City of Manassas

**Estimated Fiscal Impact:** \$0.01

The city already levies a cigarette tax. This legislation is not applicable to us.

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Locality: City of Martinsville

Estimated Fiscal Impact: \$100,000.00

Not sure I totally understand this bill. We currently have a cigarette tax, and don't see why any locality should be restricted from having this tax. The last line above is where I'm confused. Our tax is currently 20 cents per pack. If this bill capped our tax at 5 cents, we'd lose at least \$100,000 a year. Yes, this would put a cramp in our style as we're already struggling to make ends meet and we can make \$100K go a long way.

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**Locality:** City of Norfolk

**Estimated Fiscal Impact:** \$0.01

No local financial impact anticipated. Norfolk's cigarette was enacted prior to 1977

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Locality: City of Roanoke

Estimated Fiscal Impact: \$1.00

The city already imposes a cigarette tax. There would be no impact.

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**Locality:** City of Winchester **Estimated Fiscal Impact:** \$1.00

This is a great one! This bill would enable counties to implement a cigarette tax, an option currently limited to cities, towns and a few select counties. This would be good for our City businesses in helping to “level the playing field” of competitive cigarette pricing versus comparable county businesses. This is also another step in reducing the scourge of cigarette trafficking.

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Locality: Commissioners of the Revenue Association of Virginia **Estimated Fiscal Impact:** \$6,000,000.00

Revenue is not quantifiable without knowing what localities would impose the tax.

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**Locality:** Fairfax County. **Estimated Fiscal Impact:** \$1.00

Fairfax and Arlington are the only two counties in Virginia that currently have the authority to levy a cigarette tax. Fairfax County levies the tax at a rate of 30 cents per pack. As such, this bill would not impact Fairfax County.

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Locality: Franklin County **Estimated Fiscal Impact:** \$100,000.00

Franklin County does not impose a cigarette tax now.

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**Locality:** Louisa County **Estimated Fiscal Impact:** \$75,000.00

Louisa County would benefit financially if it was allowed to impose a five cent per pack cigarette tax. Louisa has a current population of approximately 34,602 (as per the Census Bureau 2015 estimate). Of this number, 79% are above 18 years old and smoking statistics show that 16.5% of adults in Virginia smoked in 2015. This equals approximately 4500 smokers in Louisa County, not including those under the age of 18 that smoke. Per statistics, the average smoker smokes a pack a day. Estimating 360 packs per year at .05 per pack, this is \$18 per year per person, which would give the county an additional \$81,000 per year in revenue (4500 people x \$18). This revenue would be reduced by administrative costs associated with collecting the tax (collecting and reviewing reports and recording the revenue from cigarette vendors each month as well as enforcing collection of such taxes). This would be similar to administering other tax sources. Costs are estimated at 25 hours per month times 12 months per year times \$20 per hour staff cost. The costs would total approximately \$6,000 per year for net revenue of \$75,000 per year.

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Locality: Rockingham County **Estimated Fiscal Impact:** \$0.01

Rockingham County does not currently have a cigarette tax.

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**Locality:** Spotsylvania County

**Estimated Fiscal Impact:** \$200,000.00

With an assumed rate of \$0.05, we could expect revenue of approximately \$200,000 from the tax.

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Locality: Town of Boones Mill

Estimated Fiscal Impact: \$1.00

No direct impact on the Town of Boones Mill.

We don't impose a cigarette tax at present, but we already have the authority to do so.

There could be a positive indirect effect for the Town. This bill is a good step for counties' revenue generating authority, and Sen. Carrico should be applauded for pursuing this extension. Other counties I've previously worked around have wished for this authority, and I expect many would activate the 5-cent taxes immediately. I would expect Franklin County to do so. My quick conservative guess at revenue would be \$300,000 annually. This is a significant boost at a time when other revenue sources are stagnant. As a general fund tool, it would do much to help with infrastructure financing, public safety staffing, and other critical local needs.

Bravo!

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**Locality:** Wise County

**Estimated Fiscal Impact:** \$1.00

This would increase revenue (if passed) for Wise County along with any administrative cost offsets. Wise County welcomes this bill and this would increase our revenues.

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