

**DEPARTMENT OF TAXATION  
2019 Fiscal Impact Statement**

1. **Patron** James E. Edmunds, II

2. **Bill Number** HB 1634

3. **Committee** Senate Finance

**House of Origin:**  
           **Introduced**  
           **Substitute**  
           **Engrossed**

4. **Title** Sales and Use Tax: Additional County and City Sales Tax; County Appropriations to Incorporated Towns for Educational Purposes

**Second House:**  
  X   **In Committee**  
           **Substitute**  
           **Enrolled**

**5. Summary/Purpose:**

This bill would authorize Halifax County to impose, by ordinance, an additional local sales and use tax at a rate of up to two percent as determined by its local governing body. The additional tax would be required to first be approved by voters at a referendum and initiated by a resolution of the local governing body. Further, the tax would expire on the date by which bonds or loans are repaid if the capital projects for the construction or renovation of schools are to be financed by bonds or loans; or if the capital projects for the construction or renovation of schools are not financed by bonds or loans, on a date chosen by the governing body and specified in any resolution that imposes the additional tax. The expiration date would not be permitted to be more than 20 years after the date of the resolution.

Any local sales tax levied under this legislation would be administered and collected by the Tax Commissioner in the same manner and subject to the same exemptions and penalties as the state sales tax. The additional tax would not be levied on food purchased for human consumption that is taxed at a reduced rate. Revenue from the tax must be used solely for capital projects for the construction or improvement of schools.

The bill would also permit Halifax County to appropriate any amount of local sales tax revenue to an incorporated town regardless of whether such town constitutes a separate special school district or if it has complied with the provisions of its charter relating to the elections of local officials.

Under current law, local sales and use taxes are capped at one percent and there is no provision for local sales and use tax specifically dedicated to capital improvements to schools. The appropriation for a town that does not constitute a separate school district and has not met the timing requirements for holding elections of local officials is limited to the amount the town would have received from local sales and use tax had elections been held.

If enacted during the 2019 Regular Session of the General Assembly, this bill would become effective July 1, 2019.

- 6. Budget amendment necessary:** No.
- 7. Fiscal Impact Estimates are:** Preliminary (See Line 8.)
- 8. Fiscal implications:**

Administrative Costs

The Department of Taxation (“the Department”) considers implementation of this bill as routine and does not require additional funding. Halifax County could incur unknown administrative costs as a result of this bill.

Revenue Impact

This bill would have no impact on state revenues. To the extent that Halifax County authorizes additional sales and use taxes, there would be an unknown positive impact to local revenues.

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

Department of Taxation  
Halifax County

- 10. Technical amendment necessary:** No

- 11. Other comments:**

Background

Under current law, counties and cities may levy a general retail sales and use tax at the rate of one percent to provide revenue for the general fund of such city or county. The tax is added to the rate of the state sales and use tax and is administered and collected by the Tax Commissioner in the same manner and subject to the same penalties as the state tax. The revenue from the local portion of the sales tax is distributed by the Department to each locality monthly.

The board of supervisors of a county that imposes a local sales and use tax must appropriate funds to any incorporated town that is considered a separate school district within the county and has a town school board of three members appointed by the town council. This appropriation is based on the ratio that the school age population of such town bears to the school age population of the entire county.

One-half of sales and use tax payments to counties are subject to further qualification related to any county that contains an incorporated town that does not constitute a separate special school district but has complied with its charter provisions providing for the election of its council and mayor for a period of at least four years immediately prior to the adoption of the sales tax ordinance. In such case, the county treasurer must pay into the town treasury the proper amount of local sales tax revenue, based on the ratio that the

school age population of each affected town bears to the school age population of the entire county. The tax is to be used for general governmental purposes.

Further, the board of supervisors of a county may, in its discretion, appropriate funds to any incorporated town within its borders that does not constitute a separate school district and has not complied with the provisions of its charter relating to the elections of its council and mayor for a period of at least four years immediately prior to the adoption of the sales tax ordinance. The amount appropriated is limited to the amount that the town would have received from the tax imposed if such election had been held.

### Proposal

This bill would authorize Halifax County to impose, by ordinance, an additional local sales and use tax at a rate of up to two percent as determined by its local governing body. The additional tax would be required to first be approved by the voters at a referendum and initiated by a resolution of the local governing body. Further, the tax would expire on the date by which bonds or loans are repaid if the capital projects for the construction or renovation of schools are to be financed by bonds or loans; or if the capital projects for the construction or renovation of schools are not financed by bonds or loans, on a date chosen by the governing body and specified in any resolution that imposes the additional tax. The expiration date would not be permitted to be more than 20 years after the date of the resolution.

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cc : Secretary of Finance

Date: 2/8/2019 SK  
DLAS File Name HB1634FH1161