

20100190D

**HOUSE BILL NO. 342**

House Amendments in [ ] - February 4, 2020

*A BILL to amend and reenact §§ 58.1-3833 and 58.1-3840 of the Code of Virginia, relating to meals tax and county food and beverage tax; exemption for farmers market and roadside stand sales up to \$2,500.*

---

Patron Prior to Engrossment—Delegate Bell

---

Referred to Committee on Finance

**Be it enacted by the General Assembly of Virginia:**

- 1. That §§ 58.1-3833 and 58.1-3840 of the Code of Virginia are amended and reenacted as follows:  
§ 58.1-3833. County food and beverage tax.**

A. 1. Any county is hereby authorized to levy a tax on food and beverages sold, for human consumption, by a restaurant, as such term is defined in § 35.1-1, not to exceed four percent of the amount charged for such food and beverages. Such tax shall not be levied on food and beverages sold through vending machines or by (i) boardinghouses that do not accommodate transients; (ii) cafeterias operated by industrial plants for employees only; (iii) restaurants to their employees as part of their compensation when no charge is made to the employee; (iv) volunteer fire departments and volunteer emergency medical services agencies; nonprofit churches or other religious bodies; or educational, charitable, fraternal, or benevolent organizations the first three times per calendar year and, beginning with the fourth time, on the first \$100,000 of gross receipts per calendar year from sales of food and beverages (excluding gross receipts from the first three times), as a fundraising activity, the gross proceeds of which are to be used by such church, religious body or organization exclusively for nonprofit educational, charitable, benevolent, or religious purposes; (v) churches that serve meals for their members as a regular part of their religious observances; (vi) public or private elementary or secondary schools or institutions of higher education to their students or employees; (vii) hospitals, medical clinics, convalescent homes, nursing homes, or other extended care facilities to patients or residents thereof; (viii) day care centers; (ix) homes for the aged, infirm, handicapped, battered women, narcotic addicts, or alcoholics; ~~or~~ (x) age-restricted apartment complexes or residences with restaurants, not open to the public, where meals are served and fees are charged for such food and beverages and are included in rental fees; or (xi) sellers at local farmers markets and roadside stands, when such sellers' annual income from such sales does not exceed \$2,500. [ For the exemption described in clause (xi), the sellers' annual income shall include income from sales at all local farmers markets and roadside stands, not just those sales occurring in the locality imposing the tax. ] Also, the tax shall not be levied on food and beverages: (a) when used or consumed and paid for by the Commonwealth, any political subdivision of the Commonwealth, or the United States; or (b) provided by a public or private nonprofit charitable organization or establishment to elderly, infirm, blind, handicapped, or needy persons in their homes, or at central locations; or (c) provided by private establishments that contract with the appropriate agency of the Commonwealth to offer food, food products, or beverages for immediate consumption at concession prices to elderly, infirm, blind, handicapped, or needy persons in their homes or at central locations.

2. Grocery stores and convenience stores selling prepared foods ready for human consumption at a delicatessen counter shall be subject to the tax, for that portion of the grocery store or convenience store selling such items.

3. This tax shall be levied only if the tax is approved in a referendum within the county which shall be held in accordance with § 24.2-684 and 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. However, no referendum initiated by a resolution of the board of supervisors shall be authorized in a county in the three calendar years subsequent to the electoral defeat of any referendum held pursuant to this section in such county. The clerk of the circuit court shall publish notice of the election in a newspaper of general circulation in the county once a week for three consecutive weeks prior to the election. If the voters affirm the levy of a local meals tax, the tax shall be effective in an amount and on such terms as the governing body may by ordinance prescribe. If such resolution of the board of supervisors or such petition states for what projects and/or purposes the revenues collected from the tax are to be used, then the question on the ballot for the referendum shall include language stating for what projects and/or purposes the revenues collected from the tax are to be used.

ENGROSSED

HB342E

59 4. Any referendum held for the purpose of approving a county food and beverage tax pursuant to  
60 this section shall, in the language of the ballot question presented to voters, contain the following text in  
61 a paragraph unto itself: "If this food and beverage tax is adopted and a maximum tax rate of four  
62 percent is imposed, then the total tax imposed on all prepared food and beverage shall be ..." followed  
63 by the total, expressed as a percentage, of all existing ad valorem taxes applicable to the transaction  
64 added to the four percent county food and beverage tax to be approved by the referendum.

65 5. Notwithstanding any other provision of this section, if a county that has not imposed a county  
66 food and beverage tax adopts an ordinance or resolution pursuant to subdivision 1 of § 15.2-2607  
67 providing for the payment of the principal and premium, if any, and interest on bonds issued in  
68 accordance with the Public Finance Act (§ 15.2-2600 et seq.) from revenue collected from a county food  
69 and beverage tax, then the ballot may provide, as a single question:

70 a. The purpose or purposes of the bonds to be issued;

71 b. The estimated maximum amount of such bonds proposed in the notice required in subsection A of  
72 § 15.2-2606;

73 c. The request for approval by the voters of a county food and beverage tax authorized and levied in  
74 accordance with subdivision 3;

75 d. The language required to be included in the ballot question as set forth in subdivision 4; and

76 e. An explanation that the bonds shall be issued only if the county food and beverage tax is  
77 approved in the referendum.

78 Any referendum placed on the ballot pursuant to this subdivision 5 shall be submitted according to  
79 the procedures specified in § 24.2-684.

80 The term "beverage" as set forth herein shall mean alcoholic beverages as defined in § 4.1-100 and  
81 nonalcoholic beverages served as part of a meal. The tax shall be in addition to the sales tax currently  
82 imposed by the county pursuant to the authority of Chapter 6 (§ 58.1-600 et seq.). Collection of such tax  
83 shall be in a manner prescribed by the governing body.

84 B. Notwithstanding the provisions of subsection A, Roanoke County, Rockbridge County, Frederick  
85 County, Arlington County, and Montgomery County are hereby authorized to levy a tax on food and  
86 beverages sold for human consumption by a restaurant, as such term is defined in § 35.1-1 and as  
87 modified in subsection A and subject to the same exemptions, not to exceed four percent of the amount  
88 charged for such food and beverages, provided that the governing body of the respective county holds a  
89 public hearing before adopting a local food and beverage tax, and the governing body by unanimous  
90 vote adopts such tax by local ordinance. The tax shall be effective in an amount and on such terms as  
91 the governing body may by ordinance prescribe.

92 C. Nothing herein contained shall affect any authority heretofore granted to any county, city or town  
93 to levy a meals tax. The county tax limitations imposed pursuant to § 58.1-3711 shall apply to any tax  
94 levied under this section, mutatis mutandis. All food and beverage tax collections and all meals tax  
95 collections shall be deemed to be held in trust for the county, city or town imposing the applicable tax.  
96 The wrongful and fraudulent use of such collections other than remittance of the same as provided by  
97 law shall constitute embezzlement pursuant to § 18.2-111.

98 D. No county which has heretofore adopted an ordinance pursuant to subsection A shall be required  
99 to submit an amendment to its meals tax ordinance to the voters in a referendum.

100 E. Notwithstanding any other provision of this section, no locality shall levy any tax under this  
101 section upon (i) that portion of the amount paid by the purchaser as a discretionary gratuity in addition  
102 to the sales price; (ii) that portion of the amount paid by the purchaser as a mandatory gratuity or  
103 service charge added by the restaurant in addition to the sales price, but only to the extent that such  
104 mandatory gratuity or service charge does not exceed 20 percent of the sales price; or (iii) alcoholic  
105 beverages sold in factory sealed containers and purchased for off-premises consumption or food  
106 purchased for human consumption as "food" is defined in the Food Stamp Act of 1977, 7 U.S.C.  
107 § 2012, as amended, and federal regulations adopted pursuant to that act, except for the following items:  
108 sandwiches, salad bar items sold from a salad bar, prepackaged single-serving salads consisting primarily  
109 of an assortment of vegetables, and nonfactory sealed beverages.

110 **§ 58.1-3840. Certain excise taxes permitted.**

111 A. The provisions of Chapter 6 (§ 58.1-600 et seq.) to the contrary notwithstanding, any city or town  
112 having general taxing powers established by charter pursuant to or consistent with the provisions of  
113 § 15.2-1104 may impose excise taxes on cigarettes, admissions, transient room rentals, meals, and travel  
114 campgrounds. No such taxes on meals may be imposed on (i) that portion of the amount paid by the  
115 purchaser as a discretionary gratuity in addition to the sales price of the meal; (ii) that portion of the  
116 amount paid by the purchaser as a mandatory gratuity or service charge added by the restaurant in  
117 addition to the sales price of the meal, but only to the extent that such mandatory gratuity or service  
118 charge does not exceed 20 percent of the sales price; or (iii) food and beverages sold through vending  
119 machines or on any tangible personal property purchased with food coupons issued by the United States  
120 Department of Agriculture under the Food Stamp Program or drafts issued through the Virginia Special

Supplemental Food Program for Women, Infants, and Children. No such taxes on meals may be imposed when sold or provided by (a) restaurants, as such term is defined in § 35.1-1, to their employees as part of their compensation when no charge is made to the employee; (b) volunteer fire departments and volunteer emergency medical services agencies; nonprofit churches or other religious bodies; or educational, charitable, fraternal, or benevolent organizations, the first three times per calendar year and, beginning with the fourth time, on the first \$100,000 of gross receipts per calendar year from sales of meals (excluding gross receipts from the first three times), as a fundraising activity, the gross proceeds of which are to be used by such church, religious body or organization exclusively for nonprofit educational, charitable, benevolent, or religious purposes; (c) churches that serve meals for their members as a regular part of their religious observances; (d) public or private elementary or secondary schools or institutions of higher education to their students or employees; (e) hospitals, medical clinics, convalescent homes, nursing homes, or other extended care facilities to patients or residents thereof; (f) day care centers; (g) homes for the aged, infirm, handicapped, battered women, narcotic addicts, or alcoholics; ~~or~~ (h) age-restricted apartment complexes or residences with restaurants, not open to the public, where meals are served and fees are charged for such food and beverages and are included in rental fees; *or (i) sellers at local farmers markets and roadside stands, when such sellers' annual income from such sales does not exceed \$2,500. [ For the exemption described in clause (i), the sellers' annual income shall include income from sales at all local farmers markets and roadside stands, not just those sales occurring in the locality imposing the tax. ]*

Also, the tax shall not be levied on meals: (1) when used or consumed and paid for by the Commonwealth, any political subdivision of the Commonwealth, or the United States; (2) provided by a public or private nonprofit charitable organization or establishment to elderly, infirm, blind, handicapped, or needy persons in their homes, or at central locations; or (3) provided by private establishments that contract with the appropriate agency of the Commonwealth to offer food, food products, or beverages for immediate consumption at concession prices to elderly, infirm, blind, handicapped, or needy persons in their homes or at central locations.

In addition, as set forth in § 51.5-98, no blind person operating a vending stand or other business enterprise under the jurisdiction of the Department for the Blind and Vision Impaired and located on property acquired and used by the United States for any military or naval purpose shall be required to collect and remit meals taxes.

B. Notwithstanding any other provision of this section, no city or town shall levy any tax under this section upon alcoholic beverages sold in factory sealed containers and purchased for off-premises consumption or food purchased for human consumption as "food" is defined in the Food Stamp Act of 1977, 7 U.S.C. § 2012, as amended, and federal regulations adopted pursuant to that act, except for the following items: sandwiches, salad bar items sold from a salad bar, prepackaged single-serving salads consisting primarily of an assortment of vegetables, and nonfactory sealed beverages.

C. Any city or town that is authorized to levy a tax on admissions may levy the tax on admissions paid for any event held at facilities that are not owned by the city or town at a lower rate than the rate levied on admissions paid for any event held at its city- or town-owned civic centers, stadiums, and amphitheaters.

D. [Expired.]