

DEPARTMENT OF TAXATION

2020 Fiscal Impact Statement

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| 1. Patron Emmett W. Hanger, Jr. | 2. Bill Number <u>SB 588</u> |
| 3. Committee Local Government | House of Origin:
<u> X </u> Introduced
<u> </u> Substitute
<u> </u> Engrossed |
| 4. Title Local Government Taxing Authority;
Equalizes Municipal and County Taxing
Authorities | Second House:
<u> </u> In Committee
<u> </u> Substitute
<u> </u> Enrolled |

5. Summary/Purpose:

This bill would grant counties the same taxing powers now granted to cities and towns. Under current law, when compared to cities and towns, counties are not authorized to impose certain taxes and are limited in the rates that they may impose for other taxes.

This bill would also require that the Division of Legislative Services convene a work group of stakeholders to identify and make recommendations as to other amendments necessary to the Virginia Code to effectuate the provisions of this bill.

If enacted during the Regular Session of the 2020 General Assembly, this bill would become effective July 1, 2020.

6. Budget amendment necessary: No

7. Fiscal Impact Estimates are: Not available. (See Line 8.)

8. Fiscal implications:

Administrative Costs

This bill could result in unknown administrative costs related to the new taxing authority of counties. It would have no impact on state administrative costs.

Revenue Impact

This bill could result in a positive revenue impact to counties as a result of the change in taxing authority. It would have no impact on state revenues.

9. Specific agency or political subdivisions affected: All counties

10. Technical amendment necessary: No

11. Other comments:

Taxing Authority of Counties

Examples of limitations which currently apply to counties (except for specifically identified counties and counties excepted under a specific grandfather clause) but not to cities and towns, include the following:

- The tax rate that counties may impose on food and beverages is limited and the tax may only be levied if approved in a referendum; and
- The tax rate that counties may impose on transient occupancies is limited and the resulting revenue must be designated for certain purposes.

The issue of equalizing city and county taxing authority was addressed in the report of the Commission on Virginia's State and Local Tax Structure for the 21st Century (2001 House Document No. 22). The Commission recommended that the distinction in the taxing authority of Virginia's cities and counties be eliminated. The Commission report states that the distinction is "based solely on an historical legalism and which has no relevancy to modern service responsibilities." The Commission report also notes that equalizing city and county taxing authority will broaden "the potential revenue base of counties, reduce their dependence on their real estate tax base, and make the potential revenue bases and therefore the measurement of revenue effort of cities and counties directly comparable."

Proposal

This bill would grant counties the same taxing powers now granted to cities and towns.

This bill would require that the Division of Legislative Services ("the Division") convene a work group of stakeholders to identify and make recommendations as to other amendments necessary to the Virginia Code to effectuate the provisions of this bill. Such recommendations would include repealing obsolete provisions and making technical amendments to existing provisions. The Division would be required to submit a summary of its recommendations and a draft of any recommended changes to the Chairmen of the House Committees on Appropriations and Finance, and the Senate Committee on Finance no later than December 1, 2020.

If enacted during the Regular Session of the 2020 General Assembly, this bill would become effective July 1, 2020.

Similar Legislation

House Bill 785 would equalize city taxing authority and county taxing authority by granting a county the same authority to impose taxes on cigarettes, admissions, transient room rentals, meals, and travel campgrounds without limitation on the rate that may be imposed.

Senate Bill 484 would equalize city taxing authority and county taxing authority by granting a county the same authority available to impose excise taxes on cigarettes, admissions, transient room rentals, meals, and travel campgrounds without limitation on the rate that may be imposed, but retains a restriction that applies to counties under current law and requires that any transient occupancy tax revenue attributable to a rate of between two and five percent must be used for tourism marketing.

cc : Secretary of Finance

Date: 1/12/2020 SK
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