

**DEPARTMENT OF TAXATION
2021 Fiscal Impact Statement**

1. **Patron** Emmett W. Hanger, Jr.
3. **Committee** Passed House and Senate
4. **Title** Local Cigarette Taxes; Regional Cigarette Tax Boards

2. **Bill Number** SB 1326
House of Origin:
 Introduced
 Substitute
 Engrossed
- Second House:**
 In Committee
 Substitute
 X **Enrolled**

5. Summary/Purpose:

This bill would define a regional cigarette tax board and set forth the duties of such a regional cigarette tax board. Under this bill, the Northern Virginia Cigarette Tax Board would be considered a regional tax board. This bill would state that it is the policy of the Commonwealth that, where practical, local cigarette stamping and tax collection is encouraged to be accomplished through regional cigarette tax boards modeled on the Northern Virginia Cigarette Tax Board.

The bill would require the Department of Taxation (“the Department”) to establish a task force to develop methods for modernizing the system and to provide assistance as appropriate to localities seeking new regional cigarette tax boards. The task force would be required to include local government representatives, local commissioners of the revenue, cigarette wholesalers and distributors, and representatives of the Northern Virginia Cigarette Tax Board. The task force would be required to submit its recommendations to the Virginia General Assembly by November 1, 2021.

Under current law, a locality is permitted to delegate its administrative and enforcement authority under its cigarette tax ordinance to one agency or authority. The only such regional entity currently in operation is the Northern Virginia Cigarette Tax Board, which administers and enforces local cigarette taxes on behalf of 19 jurisdictions.

If enacted during the 2021 General Assembly, Special Session I, this bill would become effective July 1, 2021.

6. **Budget amendment necessary:** No
7. **Fiscal Impact Estimates are:** Not available. (See Line 8.)
8. **Fiscal implications:**

Administrative Costs

The Department of Taxation considers implementation of this bill as routine and does not require additional funding. It could result in unknown administrative costs to localities.

Revenue Impact

This bill would have no impact on state revenues. It could result in an unknown revenue impact to localities.

9. Specific agency or political subdivisions affected:

All localities
Department of Taxation
Regional cigarette tax boards

10. Technical amendment necessary: No

11. Other comments:

Background

Legislation enacted during the regular session of the 2020 General Assembly (House Bill 785 and Senate Bill 588) extended to all counties the authority to impose local cigarette taxes. Prior to this legislation, only Arlington and Fairfax Counties, along with all cities and towns, had the authority to impose a local cigarette tax.

Local cigarette taxes are typically administered and enforced at the local level. However, state law permits a locality to delegate its administrative and enforcement authority under its cigarette tax ordinance to one agency or authority. The only such regional entity currently in operation is the Northern Virginia Cigarette Tax Board ("NVCTB"). The NVCTB was established in 1970, and administers and enforces the local cigarette tax on behalf of 19 jurisdictions.

State law authorizes localities that impose a cigarette tax to use local cigarette tax stamps to evidence payment of the tax and also authorizes joint enforcement agencies to issue their own tax stamp. Local government and joint enforcement agencies may enter into an arrangement with the Department of Taxation to use a dual stamp to evidence the payment of both the state and local taxes. The NVCTB uses a dual stamp that represents both the state and local cigarette taxes. This dual stamp is sold by the Department for the state cigarette tax rate. Stamping agents remit the tax to the NVCTB via a monthly return that lists all retailers by jurisdiction.

As mandated by the 2020 legislation, the Department established a workgroup to study local cigarette taxes. The workgroup agreed that regional cigarette tax boards can provide many benefits to local governments and wholesalers and expressed interest in exploring the creation of regional cigarette boards. There was opposition from local government officials regarding a mandate to join regional cigarette boards. There was agreement that local governments, wholesalers, and other interested parties should continue to work together to make the local taxation of cigarettes as efficient as possible.

Proposal

This bill would state that it is the policy of the Commonwealth that, where practical, local cigarette stamping and tax collection is encouraged to be accomplished through regional cigarette tax boards modeled on the Northern Virginia Cigarette Tax Board.

The bill would require the Department to establish a task force to develop methods for modernizing the system and to provide assistance as appropriate to localities seeking new regional cigarette tax boards. The task force would be required to include local government

representatives, local commissioners of the revenue, cigarette wholesalers and distributors, and representatives of the Northern Virginia Cigarette Tax Board. The task force would be required to submit its recommendations to the Virginia General Assembly by November 1, 2021.

A “Regional Cigarette Tax Board” established under this bill would consist of a group of at least six member localities, with the purpose of administering local cigarette taxes on a regional basis. The board would be responsible for:

- Providing for the use of a uniform meter impression or stamp as evidence of payment of any local cigarette tax within the region
- Entering into an arrangement, on behalf of or in cooperation with its member localities, with the Department for the use of a dual die or stamp as evidence of payment of any applicable local and state tax
- Providing a single point of contact for a stamping agent authorized to remit local cigarette taxes due to any member locality
- Providing a discount to a stamping agent as compensation for accounting for the tax due under this article. The discount must be in the amount of two percent of the tax otherwise due
- Distributing any local cigarette taxes collected by the board to the appropriate member locality
- Enforcing all local cigarette tax ordinances within the region
- Promoting uniformity of cigarette tax ordinances among its member localities
- To the extent possible, encouraging uniformity of cigarette tax rates among its member localities
- Accomplishing any other purpose that helps promote the uniform administration of local cigarette taxes throughout the region

The Northern Virginia Cigarette Tax Board would be considered a regional cigarette tax board for purposes of this bill.

If enacted during the 2021 General Assembly, Special Session I, this bill would become effective on the first day of the fourth month following the month of adjournment of the special session.

cc : Secretary of Finance

Date: 2/26/2021 SK
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