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## HOUSE BILL NO. 2134

Offered January 20, 1999

A BILL to amend the Code of Virginia by adding in Chapter 3 of Title 58, an article numbered 23, consisting of sections numbered 58.1-550 through 58.1-551, relating to return to localities a share of income taxes.

Patrons—May, Albo, Black, Darner, Keating, McQuigg and Plum; Senators: Howell, Mims, Saslaw and Ticer

Referred to Committee on Finance

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

1. That the Code of Virginia is amended by adding in Chapter 3 of Title 58.1 an article numbered 23, consisting of sections numbered 58.1-550 and 58.1-551 as follows:

## Article 23.

*Income Tax Sharing for Local Infrastructure.*

§ 58.1-550. Annual return to localities of a share of the income tax collections.

The Commonwealth shall return to each county and city a share of the individual income tax collected from residents of that county or city. The share to be returned shall be based on the individual income taxes collected from residents of the county or city as determined by the Department of Taxation. Annually, the Department of Taxation shall establish (i) the total amount of individual income tax collected from the residents of the county or city during the immediately preceding calendar year and (ii) the annual growth in individual income tax collections from the residents of the county or city based upon the total collections from the residents of the county or city for the two immediately preceding calendar years. The Commonwealth shall return to each county or city five percent of the total, annual individual income tax collected from residents of that county or city. In addition, the Commonwealth shall return fifty percent of the annual growth in individual income tax collections from the residents of the county or city, if any. Notwithstanding the foregoing, in no year shall any one county or city receive more than ten percent of the statewide aggregate of (i) fifty percent of the growth in individual income tax collections, added to (ii) five percent of total income tax collections. The share of the local income taxes as calculated under this section shall be paid to the locality no later than June 1 of each year for the preceding year's taxes.

§ 58.1-551. Use of funds for school construction and transportation improvements.

The amount returned to the locality under this article shall be expended for construction, expansion or renovation of public school facilities or transportation facilities in the county or city. All funds returned must be expended for such purpose by the county or city within five years after receipt of the funds from the Commonwealth pursuant to this article. Any amount not expended within five years shall be returned to the Commonwealth and deposited in the general fund. Debt service payments for and payments to prepay indebtedness incurred for construction, expansion or renovation of public school facilities or transportation facilities shall be considered as expended for construction, expansion or renovation of public school facilities or transportation facilities in the county or city. The State Board of Education shall establish standards and criteria for qualifying costs for local school projects. The Commonwealth Transportation Board shall establish standards and criteria for qualifying costs for local transportation projects. The Department of Taxation shall establish reporting provisions to ensure compliance with the requirements of this section by the county or city. Any funds returned to a locality under this article and not expended for qualifying purposes shall be returned to the Commonwealth.

INTRODUCED

HB2134