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## SENATE BILL NO. 483

Offered January 24, 2000

*A BILL to amend the Code of Virginia by adding a section numbered 22.1-113.1, relating to special tax districts in counties containing a town school division.*

Patron—Chichester

Referred to Committee on Finance

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

**1. That the Code of Virginia is amended by adding a section numbered 22.1-113.1 as follows:**

*§ 22.1-113.1. Creation of special tax district in counties containing a town school division.*

*A. Effective July 1, 2000, for any county, having a population between 15,000 and 16,000 according to the 1990 United States Census, which contains a town school division, the county board of supervisors may establish a special tax district to pay all or any portion of the county's expenditures for operating the county school division. The boundaries of the tax district shall be the same as the geographical area of the county school division and shall exclude the area of the town operating a separate school division. If a board of supervisors elects to establish such a special tax district, its appropriations of funds for the county's share of expenditures for the county school division shall be governed by this section and the provisions of §§ 22.1-113 and 22.1-114 shall not be applicable.*

*B. A county board of supervisors may levy and collect taxes upon any taxable property in such special tax district, including real estate, tangible personal property, merchants' capital, and machinery and tools, and may appropriate to the county school division such property taxes, including any penalties and interest thereon and any fund balance from the preceding fiscal year consisting of such taxes. The town shall pay for its share of expenditures to operate the town school division from town property taxes and other local, state, and federal revenues received by the town. The county and the town shall identify the sources of all revenues appropriated to their respective school divisions.*

*C. The board of supervisors may also appropriate to the county school division all or any portion of the revenue derived from (i) those local or state taxes which are collected in part within the town but are allocated between the county and the town by state law or (ii) those nonproperty taxes that the county collects exclusively from sources outside the town.*

*Such taxes include, but shall not be limited to: (i) the local sales tax authorized by § 58.1-605, (ii) the motor vehicle license tax authorized by § 46.2-752, (iii) wine taxes authorized by § 4.1-235, (iv) the net profits from the Alcoholic Beverage Control System authorized by § 4.1-117, (v) cable franchise fees authorized by § 15.2-2108, (vi) mobile home titling taxes authorized by § 58.1-2402, (vii) automobile rental taxes authorized by § 58.1-2402, (viii) rolling stock taxes authorized by § 58.1-2652, (ix) bank stock taxes authorized by § 58.1-1204, and (x) interest or other investment earnings derived from the revenues specified in subsection B and this subsection, which investment earnings shall be separately accounted for by the county.*

*D. The board of supervisors may also appropriate to the county school division all or any portion of the state or local recordation taxes received by the county, as authorized by §§ 58.1-801 and 58.1-3800, if the county pays to the town a pro rata share of such recordation taxes derived from real estate transactions that occur within the town.*

*The pro rata share shall be determined by multiplying the recordation taxes collected within the town by a fraction that equals the total recordation taxes appropriated to the county school division divided by the total recordation taxes derived by the county from real estate transactions that occur outside the town. The clerk of the circuit court for the county shall compile and furnish the necessary information to the governing body of the county to enable it to comply with this provision. The board of supervisors shall pay such sum to the town no later than forty-five days after receipt of such taxes by the county treasurer from the clerk of the circuit court.*

*E. The board of supervisors may also appropriate to the county school division all or any portion of the state payments to reimburse the county for personal property taxes pursuant to the Personal Property Tax Relief Act of 1998 (§ 58.1-3523 et seq.) if the county pays to the town a pro rata share of these state payments received by the county that are attributable to qualifying vehicles assessed for taxation within the town. The pro rata share shall be determined by multiplying the state reimbursement payments received by the county based on qualifying vehicles within the town by a fraction that equals the total state reimbursement payments appropriated to the county school division divided by the total state reimbursement payments received by the county from qualifying vehicles assessed for taxation outside the town. The board of supervisors shall pay such sum to the town no later than forty-five days*

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60 after receipt of such payments by the county treasurer from the Commonwealth.

61 F. Notwithstanding any other provision of law, if a county establishes such a special tax district, the  
62 amount of the payments pursuant to § 58.1-3526 of the Personal Property Tax Relief Act of 1998 which  
63 are made by the Commonwealth to the treasurer of the town operating the town school division shall be  
64 computed as follows:

65 The amount of the payments to the town treasurer specified in subdivisions B 2 and B 5 of  
66 § 58.1-3524 shall be based upon a "reimbursable amount" calculated by using (i) the effective tax rate  
67 on tangible personal property in effect in the town as of July 1, 1997, or August 1, 1997, whichever is  
68 greater, plus (ii) an effective tax rate equal to the difference between the county's effective tax rate on  
69 tangible personal property as of July 1, 1997, or August 1, 1997, whichever is greater, and the county's  
70 effective tax rate on tangible personal property within the town for the applicable tax year.

71 For example, if the county's effective tax rate for tangible personal property on July 1, 1997, and  
72 August 1, 1997, was \$2.50; the town's effective tax rate on the same dates was \$2.00; and, if the  
73 county's effective tax rate on tangible personal property within the town was \$1.30 during the 2001 tax  
74 year, i.e., the first tax year in which the county may create a special tax district for the support of the  
75 county school division, then the effective tax rate applicable to the town would be \$2.00 plus \$1.20, or a  
76 total of \$3.20 for purposes of computing the "reimbursable amount" in subdivisions B 2 and B 3 of  
77 § 58.1-3526.

78 Notwithstanding any other provision of law, for purposes of calculating the payments to the county  
79 treasurer specified in subdivisions B 2 and B 5 of § 58.1-3524, the "reimbursable amount" for qualifying  
80 vehicles in the town shall be based on the lower of the county's effective tax rate on tangible personal  
81 property within the town for the applicable tax year or the county's effective tax rate on July 1, 1997, or  
82 August 1, 1997. For example, if the county's effective tax rate for tangible personal property within the  
83 town was \$1.30 during the 2001 tax year, the first tax year in which the county may create a special  
84 tax district for the support of the county school division, and the county's effective tax rate for tangible  
85 personal property was \$2.50 on July 1, 1997, and August 1, 1997, then the effective tax rate used to  
86 compute the "reimbursable amount" in subdivisions B 2 and B 5 of § 58.1-3524 would be \$1.30 for  
87 qualifying vehicles in the town. The amounts to be paid to the county treasurer shall be shown as a  
88 deduction on the face of the county's tangible personal property tax bills for qualifying vehicles in the  
89 town, which amounts are to be paid by the Commonwealth in accordance with § 58.1-3526.

90 G. If the board of supervisors appropriates to the county school division any other taxes, fees, or  
91 other sources of revenues that are collected within both the county and the town or are attributable to  
92 persons, property, transactions or activities within both the county and the town, the county shall pay to  
93 the town a sum calculated as follows: the total amount of such other revenues appropriated to the  
94 county school division shall be multiplied by a fraction equal to the total taxable property assessments  
95 in the town divided by the total taxable property assessments in the county as a whole, including the  
96 town. The revenues subject to this requirement would include, for example, property taxes collected by  
97 the county in both the county and the town, but would exclude, for example, a gift to the county or a  
98 state grant for school construction distributed to the county on the basis of school-age population in the  
99 county excluding the town. The board of supervisors shall pay such sum to the town no later than  
100 forty-five days after such revenues have been transferred to the county school division.

101 H. In the event of a dispute regarding the application of this section, either the county or the town  
102 may initiate an arbitration proceeding. The arbitration panel shall consist of three members, including  
103 the county auditor, the town auditor, and the Auditor of Public Accounts for the Commonwealth of  
104 Virginia or his designee. The decision of a majority of the arbitration panel shall be binding on the  
105 county and the town.