

Department of Planning and Budget 2007 Fiscal Impact Statement

1. Bill Number HB2548

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron Ebbin

3. Committee House Finance

4. Title Sales and use tax; increase authorized in certain localities.

5. Summary/Purpose: The proposed legislation would authorize Arlington County, Fairfax County, the City of Alexandria, the City of Fairfax, and the City of Falls Church to increase their current 1.0 percent local sales and use taxes by 0.25 percent. The revenue is to be used solely for each locality's financial obligations to the Washington Metropolitan Area Transit Authority (WMATA). The authority to impose the additional tax is contingent on matching federal funds being appropriated and distributed to the Washington Metropolitan Area Transit Authority.

6. Fiscal Impact Estimates are: Preliminary.

6a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2006-07	\$192,000		GF
2007-08	\$346,800		GF
2008-09	\$ 3,100		GF
2009-10	\$ 3,200		GF
2010-11	\$ 3,300		GF
2011-12	\$ 3,400		GF
2012-13	\$ 3,500		GF

The Department of Taxation would incur administrative costs in the implementation of this bill as shown above.

6b. Revenue Impact:

Total Nongeneral Fund Revenue Generated by House Bill 2548 (in Millions)

Locality	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Arlington County	\$3.3	\$8.4	\$8.8	\$9.2	\$9.6	\$10.0
Fairfax County	15.5	39.3	41.4	43.3	45.1	47.0
Alexandria	2.5	6.4	6.7	7.0	7.3	7.6
Fairfax City	1.4	3.5	3.7	3.9	4.0	4.2
Falls Church	0.4	1.1	1.1	1.2	1.2	1.3
Total	\$23.1	\$58.6	\$61.7	\$64.6	\$67.3	\$70.0

7. Budget amendment necessary: None.

8. Fiscal implications: Every locality in Virginia is authorized to impose a 1 percent local sales and use tax to provide revenue for that locality's general fund. The 1 percent local sales tax is imposed in addition to the current 4 percent state sales tax. The Department of Taxation collects the local sales tax and pays it into the state treasury to the credit of a special fund. The funds are then credited to the account of the appropriate city or county.

The proposed legislation would authorize the Counties of Arlington and Fairfax and the Cities of Alexandria, Fairfax, and Falls Church to impose an additional 0.25 percent local sales and use tax through adoption of an ordinance. Before the locality could begin levying the tax, a public hearing would be required with proper notice provided prior to the public hearing. The ordinance would become effective on the first day of the month at least 90 days after its adoption and the additional 0.25 percent tax could not be levied prior to January 1, 2008. This additional tax would not apply to food purchased for human consumption.

The additional local sales tax would be paid into the state treasury to the credit of a special fund for the Washington Metropolitan Area Transit Authority. The money would be credited to the account of the city or county in which the sales were made and from which the tax was levied. Any revenue a locality received as a result of this additional local sales tax would be used solely for that locality's obligations to the operating deficit, capital, and debt service of the Washington Metropolitan Area Transit Authority. In addition, the authority to impose the additional tax would be contingent upon matching federal funds being appropriated and distributed to the Washington Metropolitan Area Transit Authority.

The proposed legislation is in response to proposed federal legislation which designates \$150 million annually for the next 10 years to WMATA, pursuant to the establishment by Virginia, Maryland and the District of Columbia of a dedicated state or local funding source for the cost of operating and maintaining the transit system. The federal bill, introduced by Representative Tom Davis, passed the House of Representatives, but failed to clear the Senate before the 109th Congress adjourned. Representative Davis has reintroduced the bill the 110th Congress.

The pending federal legislation would require Virginia to contribute \$50 to million to WMATA in order for the Authority to receive the \$150 million in federal funds. Revenue estimates prepared by the Department of Taxation show the proceeds generated by the additional sales and use tax may exceed the amount needed for the federal match. The proposed legislation does not provide direction for the use of any funds that remain in the special fund that is in excess of the amount required for matching the federal funds.

9. Specific agency or political subdivisions affected: Washington Metropolitan Area Transit Authority, Arlington County, Fairfax County, the City of Alexandria, the City of Fairfax, and the City of Falls Church

10. Technical amendment necessary: None.

11. Other comments: Senate Bill 1020 is identical to this bill. Numerous other bills in the House of Delegates and the Senate of Virginia identify funding sources for WMATA in response to the pending federal legislation.

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cc: Secretary of Finance

Secretary of Transportation