

DEPARTMENT OF TAXATION

2007 Fiscal Impact Statement

1. **Patron** Emmett W. Hanger, Jr.

3. **Committee** Senate Finance

4. **Title** Cigarette Taxes: Counties

2. **Bill Number** SB 1214

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would authorize all counties to impose a local cigarette tax at an amount set by ordinance, not to exceed the amount of the state cigarette tax. The current state cigarette tax is 30 cents per pack. The revenues generated by this tax are to be designated and spent solely for the purpose of purchasing agricultural conservation easements, funding initiatives that preserve the county's farmlands, funding a local purchase of development rights program that the county has established or will establish, or any combination of the three.

The counties of Arlington and Fairfax are currently authorized to impose a cigarette tax and would not be subject to the provisions of this bill.

The effective date of this bill is not specified.

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

7. **Budget amendment necessary:** No.

8. Fiscal implications:

This bill would have an unknown positive impact on tax revenues for counties. The amount of cigarette tax revenue is unknown because it is not known which counties would impose a local cigarette tax and at what rate they would impose the tax. Arlington and Fairfax Counties are already authorized to impose a local cigarette tax. If every remaining county imposed a local cigarette tax at the maximum rate authorized by this bill, then local revenues would increase by approximately \$88 million a year. Also, increased local cigarette taxes may decrease the demand for cigarettes, and therefore decrease the amount of state cigarette and sales tax revenues collected from cigarette sales.

9. Specific agency or political subdivisions affected:

All counties except Arlington and Fairfax

10. Technical amendment necessary: No.

11. Other comments:

Cigarette Taxes

The state cigarette tax is currently 30 cents per pack. All cities and towns with general taxing powers are already currently authorized to impose a cigarette tax with no rate limitations. Thirty cities and thirty-two towns currently impose a cigarette tax. Only two counties, Arlington and Fairfax, are authorized to impose a local cigarette tax, which is limited to the amount of the state cigarette tax rate.

Proposal

This bill would authorize all counties to impose a local cigarette tax at an amount set by ordinance, not to exceed the amount of the state tax. The current state cigarette tax is 30 cents per pack. The revenues generated by this tax are to be designated and spent solely for the purpose of:

- Purchasing agricultural conservation easements,
- Funding initiatives that, as determined by local farm organizations, preserve farmlands in such county,
- Funding a local purchase of development rights program that such county has established or will establish, or
- Any combination of the three.

The counties of Arlington and Fairfax are currently authorized to impose a cigarette tax and would not be subject to the provisions of this bill.

Other Legislation

House Bill 2719 would authorize all counties, cities and towns to impose a local cigarette tax that could not exceed 5 cents per pack or the amount levied under state law, whichever is greater.

cc : Secretary of Finance

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