

**DEPARTMENT OF TAXATION  
2008 Fiscal Impact Statement**

1. **Patron** Danny C. Bowling

2. **Bill Number** HB 1450

3. **Committee** House Finance

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

4. **Title** County Food and Beverage Tax; Revenues for Funding Construction or Renovation of Public Schools.

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

5. **Summary/Purpose:**

This bill would authorize any county to levy a tax on food and beverages sold for human consumption by a restaurant at a rate not exceeding four percent. To impose the tax, the governing body of the county would be required to hold a public hearing and adopt the tax by ordinance by a unanimous vote and the revenues generated by the tax would need to be dedicated to the sole purpose of funding construction or renovation of public schools.

Currently, counties may impose a food and beverage tax at a rate not exceeding 4 percent if the governing body of the county holds a public hearing and the tax is approved by referendum. The Counties of Arlington, Frederick, Montgomery, Roanoke, and Rockbridge are currently authorized to levy a tax on food and beverages sold for human consumption by a restaurant at a rate not exceeding four percent if the governing body holds a public hearing before adopting the tax by local ordinance by a unanimous vote. There is no restriction on what the revenues generated from the tax can be spent.

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 no impact on state revenues. Any locality that implements the food and beverage tax would experience an increase in revenues. The revenue gain would vary by locality and depend upon the rate imposed and the amount of prepared food and beverage sold in the locality.

9. **Specific agency or political subdivisions affected:**

All counties

10. **Technical amendment necessary:** No.

## 11. Other comments:

### Current Law

Every county is authorized to levy a tax on food and beverages sold, for human consumption, by a restaurant, as not to exceed four percent of the amount charged for such food and beverages. The tax must not be levied on food and beverages sold through vending machines, by nonprofit cafeterias in public schools, by nursing homes, and by hospitals. The tax does apply to prepared foods ready for human consumption sold at grocery stores and convenience stores.

To impose the tax, it must be approved in a referendum within the county and must be initiated either by a resolution of the board of supervisors or on the filing of a petition signed by a number of registered voters of the county equal in number to 10 percent of the number of voters registered in the county, as appropriate on January 1 of the year in which the petition is filed with the court of such county. If the resolution of the board of supervisors or the petition states for what purposes the revenues collected from the tax are to be used, then the question on the ballot for the referendum must include language stating for what purposes the revenues collected from the tax are to be used.

The Counties of Arlington, Frederick, Montgomery, Roanoke, and Rockbridge are currently authorized to levy a tax on food and beverages sold for human consumption by a restaurant at a rate not to exceed four percent of the amount charged for such food and beverages. To impose the tax, the governing body must hold a public hearing before adopting a local food and beverage tax and the governing body must, by unanimous vote, adopt the tax by local ordinance.

### Proposal

This bill would authorize any county to levy a tax on food and beverages sold for human consumption by a restaurant not to exceed four percent. To impose the tax, the governing body of the county must hold a public hearing before adopting the local food and beverage tax and the governing body by unanimous vote must adopt the tax by a local ordinance in which the revenues generated by the tax are dedicated to the sole purpose of funding construction or renovation of public schools.

cc : Secretary of Finance

Date: 1/21/2008 jkl  
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