

DEPARTMENT OF TAXATION

2008 Fiscal Impact Statement

1. **Patron** R. Creigh Deeds

2. **Bill Number** SB 262

3. **Committee** Senate Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. **Title** Communications Sales and Use Tax;
Distributions to Bath County

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would allow Bath County to receive monthly distributions from the Communications Sales and Use Tax Trust Fund beginning on July 1, 2008.

Under current law, all of the revenues available for distribution to localities from Communications Sales and Use Tax Trust Fund are allocated based on a percentage determined by the Auditor of Public Accounts based on local revenues from repealed local communications taxes and fees received by localities in Fiscal Year 2006. As Bath County did not impose any of the repealed taxes and fees in Fiscal Year 2006, it is not currently entitled to a distribution from the Communications Sales and Use Tax Trust Fund.

The effective date of this bill is not specified.

6. **Fiscal Impact Estimates are:** Preliminary. (See Line 8.)

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

8. **Fiscal implications:**

Administrative Costs

TAX has not assigned any administrative costs to this bill because the changes required by a single bill such as this can be implemented as part of the annual changes to our systems and forms. As stand-alone legislation, TAX considers implementation of this bill as "routine," and does not require additional funding.

TAX will provide specific administrative costs on any legislation that is not "routine." Additionally, TAX will review all state tax legislation likely to be enacted prior to the passage by each house. If the aggregate number of routine bills likely to pass either house is unusually large, it is possible that additional resources will be required. If so, TAX will identify the costs at that time.

Revenue Impact

This bill, with the amendment suggested by TAX, would have no impact on state revenues. The bill provides that Bath County would receive 0.02763 percent of net revenues apportioned and distributed among the localities. This percentage is equivalent to that currently received by Craig County. As the percentage distributions to localities from the Communications Sales and Use Tax Trust Fund currently total 100 percent, as written, this bill would make the allocation percentages total more than 100 percent. TAX has suggested a technical amendment to re-weight the localities' allocation percentages so that the bill does not distribute more revenue than would be received. The technical amendment would add the proposed allocation percentage of Bath County to the current total allocation percentage to the localities, and then re-weight each locality's percentage by dividing its current allocation percentage by the new total allocation percentage, 100.027631 percent.

If the proposed distribution from the Communications Sales and Use Tax Trust Fund had been in place from January 2007 to June 2007, Bath County would have received \$56,784. All localities currently receiving revenues would have received slightly less revenues, approximately 0.028 percent, to account for the new distribution to Bath County. On average each county would have received \$348 less, each city would have received an average of \$578 less, and each town would have received an average of \$15 less. The largest impact would have been to Fairfax County, which would have received approximately \$11,000 less (out of approximately \$38.9 million actually received).

9. Specific agency or political subdivisions affected:

All localities
TAX
Auditor of Public Accounts

10. Technical amendment necessary: Yes.

If the intent of this bill is to proportionately reduce the distributions from the Communications Sales and Use Tax Trust Fund to other localities to account for the proposed distribution of the Communications Sales and Use Tax Trust Fund to Bath County, the following technical amendment is suggested:

Page 1, Line 35, After to

Strike: 0.02763 percent of net revenues apportioned and distributed among the counties, cities, and towns.

Insert: 0.027631 percent divided by 100.027631 percent of net revenues apportioned and distributed among the counties, cities, and towns and the monthly distribution to all other counties, cities, and towns shall be determined by dividing each locality's percentage share of distributions from the Communications Sales and Use Tax Trust Fund, as determined by the eighth enactment clause of Chapter 780 of the 2006 Acts of Assembly, by 100.027631 percent.

11. Other comments:

Background

2006 House Bill 568 (Acts of Assembly 2006, Chapter 780) replaced many of the state and local communications taxes and fees with a centrally administered Communications Sales and Use Tax and a uniform statewide E-911 Tax on landline telephone service beginning January 1, 2007. Additionally, House Bill 568 imposed a public rights-of-way use fee on cable television providers beginning January 1, 2007.

Under House Bill 568, revenue from the Communications Sales and Use Tax, the Landline E-911 Tax and the Cable Television Rights-of-Way Fee (the "Communications Taxes") is collected and remitted monthly by communications services providers to TAX and deposited into a non-reverting fund known as the Communications Sales and Use Tax Trust Fund (the "Fund"). After transferring moneys from the Fund to TAX to pay for the direct costs of administering the Communications Taxes, the moneys in the Fund are allocated and distributed to localities after payment (1) to the Department of Deaf and Hard-of-Hearing to fund the telephone relay service center and (2) any franchise fee amount due to localities in accordance with any cable television franchise agreements in effect as of January 1, 2007. Each locality's share of the net revenue is distributed as soon as practicable after the end of the month based on the locality's share of total revenues received from the following taxes and fees in Fiscal Year 2006 from local tax rates adopted on or before January 1, 2006:

- Local consumer utility tax on landline and wireless telephone service;
- Local E-911 tax on landline telephone service;
- The portion of the local BPOL tax on public service companies exceeding .5% currently billed to customers in some grandfathered localities;
- Cable television franchise fees;
- Video programming excise tax on cable television services; and
- Consumer utility tax on cable television.

House Bill 568 required the Auditor of Public Accounts ("APA") to determine the amount of revenues received by every locality for Fiscal Year 2006, at rates adopted on or before January 1, 2006, for each of these taxes and fees. Local governments and service providers were required to cooperate with the APA and provide requested information.

In Fiscal Year 2006, Bath County did not impose any of these taxes on its residents, and, as a result, does not receive any distribution from the Communications Sales and Use Tax.

Proposal

This bill would allow Bath County to receive a monthly distribution equal to 0.02763 percent of the net Communications Sales and Use Tax revenues apportioned and distributed monthly to localities beginning on July 1, 2008.

By adding a set percentage of the distribution of the Communications Sales and Use Tax revenues to the current distribution formula set by the APA, this bill distributes more than 100 percent of the Communications Sales and Use Tax revenues. An amendment has been suggested in order to proportionately reduce the amount of the Communications Sales and Use Tax revenues distributed to the other localities.

Similar Legislation

House Bill 487 is identical to this bill.

cc : Secretary of Finance

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