

# DEPARTMENT OF TAXATION

## 2009 Fiscal Impact Statement

1. **Patron** David J. Toscano

2. **Bill Number** HB 2161

3. **Committee** House Finance

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

4. **Title** Local Sales and Use Tax; City of  
Charlottesville and Albemarle County

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

### 5. **Summary/Purpose:**

This bill would authorize the City of Charlottesville and Albemarle County to impose an additional 1% local Retail Sales and Use Tax, if approved in a referendum of the voters. The revenue generated from the additional tax would be used solely for transit or other transportation projects.

Under current law, localities are permitted to levy a local Retail Sales and Use Tax at the rate of one percent to provide revenue for the general fund of that locality. The 1% local tax rate is added to the rate of the state Retail Sales and Use Tax.

The effective date of this bill is not specified.

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

#### 6a. **Expenditure Impact:**

<i><b>Fiscal Year</b></i>	<i><b>Dollars</b></i>	<i><b>Fund</b></i>
2008-09	\$36,200	GF
2009-10	\$325,500	GF
2010-11	\$118,700	GF
2011-12	\$90,300	GF
2012-13	\$91,500	GF
2013-14	\$91,800	GF
2014-15	\$93,000	GF

### 7. **Budget amendment necessary:** Yes.

ITEM(S): 270 and 273, Department of Taxation

### 8. **Fiscal implications:**

#### Administrative Costs

TAX would incur administrative costs in implementing this bill of \$36,200 in Fiscal Year 2009, \$325,500 in Fiscal Year 2010, \$118,700 in Fiscal Year 2011, \$90,300 in Fiscal Year 2012, \$91,500 in Fiscal Year 2013, \$91,800 in Fiscal Year 2014, and \$93,000 in Fiscal

Year 2015. The administrative costs would include costs to update Retail Sales and Use Tax Forms and Vending Machine forms, additional data capture and error resolution costs associated with new lines and form changes and additional processing costs.

#### Revenue Impact

The amount of local revenue that would be raised by the additional tax is unknown, as it depends upon imposition by each local government and the tax rate imposed. If the maximum 1% rate was imposed for all of Fiscal Year 2011, this bill would provide an estimated \$9.2 million for Charlottesville, and \$11.9 million for Albemarle County.

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

City of Charlottesville  
Albemarle County

#### **10. Technical amendment necessary: Yes.**

To allow TAX sufficient time to make the necessary systems and forms changes and to notify the affected sales tax dealers, TAX is suggesting a technical amendment to delay the effective date until October 1, 2009. TAX suggests the following technical amendment:

Page 6, Line 325, at the beginning of the line  
Insert: 2. That the provisions of this act shall be effective October 1, 2009.

#### **11. Other comments:**

##### Generally

In addition to the 4% state Retail Sales and Use Tax, localities are currently permitted to impose a local Retail Sales and Use Tax at the rate of 1%. The local tax is administered by the Tax Commissioner and subsequently credited to the account of the locality in which the sale was made, without regard to the city or county of possible use by the purchaser.

##### Food Purchased for Human Consumption

Food purchased for human consumption is subject to the state Retail Sales and Use Tax at a reduced rate than other tangible personal property. The state tax rate on food purchased for human consumption is 1½ %. The local Retail Sales and Use Tax rate, however, remains at 1%. The combined state and local Retail Sales and Use Tax rate on food purchased for home consumption is 2½%.

Food purchased for human consumption includes most staple grocery food items and cold prepared foods packaged for home consumption. Specifically excluded from the definition of food for home consumption are alcoholic beverages, tobacco, and prepared hot foods sold for immediate consumption on and off the premises.

##### Vending Machines

Currently, dealers engaging in the sale of items through vending machines, or other means that make the collection of the Retail Sales and Use Tax impractical, may remit the tax on the wholesale cost of the products being sold at the rate of 5%. Dealers must still remit the additional 1% local Retail Sales and Use Tax, for a total state and local Retail Sales and Use tax rate of 6%.

### Proposal

This bill would authorize the City of Charlottesville and Albemarle County to impose an additional 1% local Retail Sales and Use tax. The authority to levy the additional tax would only be exercised if approved in a referendum. The council or governing body of such locality would then be required to adopt an ordinance to that effect. The ordinance imposing the tax would become effective the first day of a month at least 60 days after adoption of the ordinance. As with the current 1% local Retail Sales and Use Tax, the additional local tax would be collected by the Tax Commissioner and credited to the account of the city or county in which the sale was made.

The proposed additional local Retail Sales and Use Tax would not apply to food purchased for home consumption.

This bill would also increase the tax applied to sales made through vending machines. The increase proposed in this bill would require vending machine dealers located in any locality that levies the additional local Retail Sales and Use Tax to remit the tax on the wholesale cost of goods being sold at the total rate of 6 ½%.

The effective date of this bill is not specified.

cc : Secretary of Finance

Date: 1/24/2009 AM  
DLAS File Name: HB2161F161