

**DEPARTMENT OF TAXATION
2008 Fiscal Impact Statement**

1. **Patron** Thomas Davis Rust

3. **Committee** House Finance

4. **Title** Town of Herndon; Excise Taxes

2. **Bill Number** HB 761

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would amend the charter of the Town of Herndon to provide that notwithstanding any other provision of general law or special act, no excise tax may be imposed or be effective in the Town of Herndon unless approved by the town council. The bill would also amend the charter to define "excise tax" to mean "a tax imposed pursuant to the town's general charter power and § 58.1-3840, Code of Virginia, on cigarettes, admissions, transient room rentals, meals, or travel camp grounds."

Under current law, any city or town with general taxing powers may impose excise taxes on cigarettes, admissions, transient room rentals, meals and travel camp grounds.

The effective date of this bill is January 1, 2010.

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

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

8. Fiscal implications:

As drafted, this bill would have no impact on revenues to Fairfax County, the Northern Virginia Transportation Authority and the Commonwealth of Virginia as it only applies to excise taxes that may be imposed by cities and towns.

If the intent of this bill is to prohibit Fairfax County, the Northern Virginia Transportation Authority and the Commonwealth of Virginia from imposing excise taxes in the Town of Herndon, then Fairfax County, the Northern Virginia Transportation Authority and the Commonwealth of Virginia would experience a decrease in revenues if the Town of Herndon does not agree to the imposition of such taxes.

9. Specific agency or political subdivisions affected:

Town of Herndon

10. Technical amendment necessary: Yes.

If the intent of this bill is to abolish the authority of Fairfax County, the Northern Virginia Transportation Authority and the Commonwealth of Virginia from imposing excise taxes in the Town of Herndon without the approval of the town council, then a technical amendment is necessary because, as drafted, this bill only applies to excise taxes that may be imposed by cities and towns.

11. Other comments:

Generally

Any city or town having general taxing powers established by charter may impose excise taxes on cigarettes, admissions, transient room rentals, meals, and travel campgrounds.

Under Va. Code § 58.1-3819, Fairfax County currently imposes a cigarette tax at a rate of 30 cents per pack. Fairfax County does not impose a tax on meals or admissions.

Any county may impose a transient occupancy tax at a maximum rate of 2 percent, upon the adoption of an ordinance, on hotels, motels, boarding houses, travel campgrounds, and other facilities offering guest rooms. Under current law, a transient occupancy tax imposed by a county pursuant to Va. Code § 58.1-3819 does not apply within the limits of any town that imposes a transient occupancy tax unless the governing body of the town specifies that the county tax will also apply. Fairfax County may impose an additional two percent transient occupancy tax on the occupancy of any room pursuant to Va. Code § 58.1-3824 in addition to the 2 percent transient occupancy tax authorized by Va. Code § 58-3819. Fairfax currently imposes a total transient occupancy tax at the rate of 4%.

The Northern Virginia Transportation Authority embraces the Cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park and the Counties of Arlington, Fairfax, Loudoun, and Prince William. House Bill 3202 (*Acts of Assembly* 2007, Chapter 896) authorized the Northern Virginia Transportation Authority to impose an additional transient occupancy tax at the rate of 2 percent in the counties and cities it embraces. The Northern Virginia Transportation Authority has voted to impose the additional transient occupancy tax effective January 1, 2008.

The state cigarette tax is currently 30 cents per pack.

Proposal

This bill would provide that no excise tax could be imposed or be effective in the Town of Herndon unless approved by the town council.

This bill only applies to excise taxes that may be imposed by cities and towns. A technical amendment is necessary if the intent of this bill is to abolish the authority of Fairfax County, the Northern Virginia Transportation Authority, and the Commonwealth of Virginia from imposing excise taxes in the Town of Herndon without the approval of the town council.

cc : Secretary of Finance

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