DEPARTMENT OF TAXATION
2010 Fiscal Impact Statement

1. Patron Scott A. Surovell

2. Bill Number HB 830

House of Origin:
X **Introduced**
_____ **Substitute**
_____ **Engrossed**

Second House:
_____ **In Committee**
_____ **Substitute**
_____ **Enrolled**

3. Committee House Finance

4. Title County Food and Beverage Tax; Fairfax County May Impose without a Referendum

5. Summary/Purpose:

This bill would add Fairfax County to the list of counties that are currently authorized to impose a food and beverage tax at a maximum rate of four percent without a voter referendum. In order to impose this tax without a voter referendum, the governing body of Fairfax County would be required to hold a public hearing, at which the governing body would need to unanimously vote to adopt a local ordinance imposing the tax.

Under current law, any county may impose a food and beverage tax at a maximum rate of four percent if the tax is approved in a referendum. The Counties of Arlington, Frederick, Montgomery, Roanoke, and Rockbridge are excluded from this requirement if the governing body holds a public hearing before adopting the tax by local ordinance by a unanimous vote.

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. To the extent that the governing board of Fairfax County unanimously voted to impose the tax, the county would experience an increase in revenues, the amount of which is unknown. The revenue increase would depend on the rate set by Fairfax County's governing board.

9. Specific agency or political subdivisions affected:

Fairfax County

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 at a maximum rate of four percent of the amount charged for such food and beverages. The tax may 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.

In order for a locality 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 board of supervisors' resolution or the petition states the purposes for which revenues collected from the tax are to be used, then the question on the ballot for the referendum must include language stating these purposes.

The Counties of Arlington, Frederick, Montgomery, Roanoke, and Rockbridge are currently authorized to levy a tax on food and beverages sold for human consumption without approval in a referendum. In order to be excused from the referendum requirement, the governing body of these localities must hold a public hearing before adopting a local food and beverage tax and must, by unanimous vote, adopt the tax by local ordinance.

Proposal

This bill would add Fairfax County to the list of counties that are currently authorized to impose a food and beverage tax at a maximum rate of four percent without a voter referendum.

The effective date of this bill is not specified.

Similar Legislation

House Bill 343 and House Bill 359 (substantively identical) would allow any community development authority to annually request that the locality in which it is located levy an additional transient occupancy tax at a rate not to exceed 2 percent, an additional food and beverage tax at a rate not to exceed 2 percent, and an additional sales tax, not to exceed 1 percent.

House Bill 1138 would allow all counties to impose the local food and beverage tax without a referendum, provided the revenues from the tax are used to reduce the county's real property tax rate.

Senate Bill 280 would remove the current cap of four percent for the county meals tax and would allow counties to adopt or increase a meals tax by a majority vote of the elected members of the governing body.

cc : Secretary of Finance

Date: 1/17/2010 KP
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