

# DEPARTMENT OF TAXATION

## 2013 Fiscal Impact Statement

1. **Patron** Christopher P. Stolle

3. **Committee** House Finance

4. **Title** Retail Sales and Use Tax Increase;  
Hampton Roads

2. **Bill Number** HB 1450

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

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

This bill would impose an additional one percent state Retail Sales and Use Tax beginning January 1, 2014 in any county or city located in the Hampton Roads Planning District on January 1, 2013, if the increase is approved in a voter referendum on November 5, 2013. The additional tax would not apply to food purchased for human consumption. No dealer compensation would be allowed on the additional tax. The revenues generated by the increase would be dedicated to the newly created Special Transportation Fund for the Hampton Roads Planning District and used solely for regional transportation projects identified by the Hampton Roads Transportation Planning Organization that improve mobility within the planning district. The bill would also allow the Commonwealth Transportation Board to issue revenue bonds secured from revenues received from the Special Transportation Fund for the Hampton Roads Planning District and other sources for such projects.

The Hampton Roads Planning District is comprised of the Cities of Chesapeake, Franklin, Hampton, Newport News, Norfolk, Poquoson, Portsmouth Suffolk, Virginia Beach, and Williamsburg and the Counties of Gloucester, Isle of Wight, James City, Southampton, Surry, and York.

The provisions of this bill would be effective January 1, 2014, provided a majority of those voting in the referendum vote in the affirmative.

6. **Budget amendment necessary:** Yes.

ITEM(S): 273, Department of Taxation

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

#### 7a. **Expenditure Impact:**

<i><b>Fiscal Year</b></i>	<i><b>Dollars</b></i>	<i><b>Positions</b></i>	<i><b>Fund</b></i>
2012-13	\$0	0	GF
2013-14	\$336,000	0	GF
2014-15	\$37,000	0	GF
2015-16	\$28,000	0	GF
2016-17	\$25,000	0	GF

2017-18	\$21,000	0	GF
2018-19	\$18,000	0	GF

## 8. Fiscal implications:

### Administrative Costs

In order to implement a regional sales tax, the Department must make forms and systems changes and notify and educate the several thousand dealers who will be expected to comply with a more complex sales tax collection process. As the Department cannot make the required systems and forms changes before April 1, 2014 with existing resources, the additional one percent sales tax is assumed to be effective April 1, 2014.

The Department would incur administrative costs of approximately \$336,000 in Fiscal Year 2014 for systems and forms changes, and \$37,000 in Fiscal Year 2015, \$28,000 in Fiscal Year 2016, \$25,000 in Fiscal Year 2017, \$21,000 in Fiscal Year 2018, and \$18,000 in Fiscal Year 2019 for processing returns associated with the regional sales tax.

### Revenue Impact

Assuming an effective date of April 1, 2014, the additional one percent state retail sales and use tax in the Hampton Roads Planning District is estimated to provide a revenue gain of \$30.4 million in Fiscal Year 2014, \$189.2 million in Fiscal Year 2015, \$196.8 million in Fiscal Year 2016, \$204.3 million in Fiscal Year 2017, \$211.2 million in Fiscal Year 2018, and \$218.4 million in Fiscal Year 2019 to the Special Transportation Fund for the Hampton Roads Planning District.

<b>Revenue Impact (millions)</b> (Effective April 1, 2014)						
<b>Locality</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
Gloucester County	\$0.6	\$3.5	\$3.7	\$3.8	\$4.0	\$4.1
Isle of Wight County	0.4	2.4	2.5	2.6	2.7	2.8
James City County	1.4	8.9	9.2	9.6	9.9	10.2
Southampton County	0.1	0.5	0.6	0.6	0.6	0.6
Surry County	0.1	0.5	0.6	0.6	0.6	0.6
York County	1.4	8.9	9.3	9.6	10.0	10.3
Chesapeake	5.1	32.0	33.2	34.5	35.7	36.9
Franklin	0.3	1.6	1.7	1.7	1.8	1.9
Hampton	2.1	13.4	13.9	14.4	14.9	15.4
Newport News	3.3	20.5	21.4	22.2	22.9	23.7
Norfolk	4.5	27.9	29.0	30.1	31.1	32.2
Poquoson	0.1	0.5	0.5	0.5	0.6	0.6
Portsmouth	1.0	6.3	6.6	6.9	7.1	7.3
Suffolk	1.2	7.5	7.8	8.1	8.4	8.7
Virginia Beach	8.1	50.8	52.8	54.8	56.7	58.6
Williamsburg	<u>0.6</u>	<u>3.9</u>	<u>4.1</u>	<u>4.2</u>	<u>4.4</u>	<u>4.5</u>
<b>Hampton Roads Total</b>	<b>\$30.4</b>	<b>\$189.2</b>	<b>\$196.8</b>	<b>\$204.3</b>	<b>\$211.2</b>	<b>\$218.4</b>

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

Department of Taxation  
Hampton Roads Planning District  
Localities the comprise the Hampton Roads Planning District

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

To ensure that the provisions of this bill enacting the one percent state retail sales and use tax in the Hampton Roads Planning District do not become effective prior to April 1, 2014, the following technical amendments are suggested:

Page 7, Line 394, After Beginning  
Strike: January  
Insert: April

Page 7, Line 397, After Beginning  
Strike: January  
Insert: April

Page 8, Line 462, After effective on  
Strike: January  
Insert: April

Page 8, Line 485, After beginning of the line  
Strike: January  
Insert: April

**11. Other comments:**

Generally

In addition to the four percent state sales and use tax imposed upon the retail sale and use of tangible personal property in Virginia, localities are permitted to impose a general retail sales tax at the rate of one percent to provide revenue for the general fund of that locality, for a total rate of five percent.

Food Purchased for Human Consumption

Food purchased for human consumption is subject to a different state sales tax rate than other tangible personal property. Va. Code § 58.1-611.1 provides that the state tax rate on food purchased for human consumption is 1½ percent. The local sales tax rate remains at one percent. Thus the combined state and local sales and use tax rate on food purchased for human consumption is 2½ percent.

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 human consumption are alcoholic beverages, tobacco, and prepared hot foods sold for immediate consumption on and off the premises.

The provisions of this bill would not apply to food purchased for human consumption.

### Proposal

This bill would impose an additional one percent state Retail Sales and Use Tax beginning January 1, 2014 in any county or city located in the Hampton Roads Planning District on January 1, 2013, if the increase is approved in a voter referendum on November 5, 2013. The additional tax would not apply to food purchased for human consumption. No dealer compensation would be allowed on the additional tax. The revenues generated by the increase would be dedicated to the newly created Special Transportation Fund for the Hampton Roads Planning District and used solely for regional transportation projects identified by the Hampton Roads Transportation Planning Organization that improve mobility within the planning district. The bill would also allow the Commonwealth Transportation Board to issue revenue bonds secured from revenues received from the Special Transportation Fund for the Hampton Roads Planning District and other sources for such projects.

The Hampton Roads Planning District is comprised of the Cities of Chesapeake, Franklin, Hampton, Newport News, Norfolk, Poquoson, Portsmouth Suffolk, Virginia Beach, and Williamsburg and the Counties of Gloucester, Isle of Wight, James City, Southampton, Surry, and York.

The Hampton Roads Planning District includes the City of Franklin and the Counties of Gloucester, Southampton, and Surry in addition to the localities wholly embraced by the Hampton Roads Transportation Authority.

The provisions of this bill would be effective January 1, 2014, provided a majority of those voting in the referendum vote in the affirmative.

### Similar Legislation

**Senate Bill 824** is identical to this bill.

**House Bill 1403** would increase the amount of sales and use tax revenue dedicated to the Transportation Trust Fund from an amount generated by a 0.5 percent sales and use tax to an amount generated by a one percent sales and use tax. The increase would be phased in by a 0.1 percent increase over five years, with the first increase effective beginning July 1, 2013 and ending September 30, 2014.

**Senate Bill 700** would impose a 5 percent state retail sales and use tax on fuels subject to the Virginia Fuels Tax, excluding aviation fuel and dyed diesel fuel. The bill would also reduce the Virginia Fuels Tax by \$0.05 per gallon. Of the revenues generated by the retail sales and use tax on certain fuels, \$250 million would be deposited into the Highway Maintenance and Operating Fund each calendar year beginning January 1, 2014, and the remainder would be deposited into the newly created Highway Construction Projects Trust Fund.

cc : Secretary of Finance

Date: 1/7/2013 AM

DLAS File Name: HB1450F161