

## DEPARTMENT OF TAXATION 2013 Fiscal Impact Statement

1. **Patron** Walter A. Stosch

2. **Bill Number** SB 1313

3. **Committee** House Finance

**House of Origin:**

           **Introduced**

           **Substitute**

           **Engrossed**

4. **Title** Allows City of Portsmouth to Impose a Local  
Income Tax and Repeals Restrictions.

**Second House:**

  X   **In Committee**

           **Substitute**

           **Enrolled**

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

This bill would allow the City of Portsmouth to levy a local income tax.

This bill would eliminate the requirement that the local income tax must be approved by a referendum in the county or city before it may be imposed within such county or city.

This bill would also repeal the statute that requires the local income tax to sunset five years from its effective date in such county or city.

The effective date of this bill is not specified.

6. **Budget amendment necessary:** No.

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

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

#### Administrative Costs

The Department considers implementation of this bill as routine, and is not requesting additional funding.

#### Revenue Impact

##### *State Revenue*

This bill would have no General Fund revenue impact.

## Local Revenue

This bill would have an unknown positive impact on the City of Portsmouth's revenue. The following table shows the estimated positive impact that this bill would have on the City of Portsmouth's revenue if the city elects to levy a local corporate and individual income tax, beginning January 1, 2014.

<b>Corporate &amp; Individual Income Tax in Portsmouth</b> (\$ millions)				
<b><u>Fiscal</u></b> <b><u>Year</u></b>	<b><u>.25%</u></b> <b><u>Increase</u></b>	<b><u>.5%</u></b> <b><u>Increase</u></b>	<b><u>.75%</u></b> <b><u>Increase</u></b>	<b><u>1%</u></b> <b><u>Increase</u></b>
2014	\$1.71	\$3.42	\$5.14	\$6.85
2015	\$3.63	\$7.27	\$10.90	\$14.53
2016	\$3.63	\$7.26	\$10.89	\$14.52
2017	\$3.76	\$7.53	\$11.29	\$15.05
2018	\$3.89	\$7.79	\$11.68	\$15.58
2019	\$4.04	\$8.07	\$12.11	\$16.15

If all of the affected localities were to impose a local income tax, the following table shows the estimated positive revenue impact in those localities.

<b>0.25% Corporate &amp; Individual Income Tax in Portsmouth and Currently Authorized Localities</b> (\$ millions)						
<b><u>Localities</u></b>	<b><u>FY 2014</u></b>	<b><u>FY 2015</u></b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>FY 2018</u></b>	<b><u>FY 2019</u></b>
Alexandria	\$8.57	\$18.01	\$18.60	\$19.39	\$20.15	\$20.94
Arlington	\$13.89	\$29.17	\$30.15	\$31.44	\$32.68	\$33.96
Fairfax City	\$1.17	\$2.47	\$2.54	\$2.65	\$2.76	\$2.86
Fairfax County	\$61.81	\$129.89	\$134.02	\$139.70	\$145.18	\$150.84
Falls Church	\$0.87	\$1.83	\$1.89	\$1.97	\$2.05	\$2.13
Loudoun	\$17.00	\$35.74	\$36.83	\$38.39	\$39.89	\$41.44
Manassas	\$1.12	\$2.37	\$2.41	\$2.51	\$2.60	\$2.70
Manassas Park	\$0.39	\$0.82	\$0.83	\$0.87	\$0.90	\$0.93
Norfolk	\$4.18	\$8.88	\$8.86	\$9.18	\$9.50	\$9.85
Portsmouth	\$1.71	\$3.63	\$3.63	\$3.76	\$3.89	\$4.04
Prince William	\$14.60	\$30.76	\$31.46	\$32.74	\$33.99	\$35.29
Virginia Beach	<u>\$12.85</u>	<u>\$27.13</u>	<u>\$27.61</u>	<u>\$28.71</u>	<u>\$29.79</u>	<u>\$30.92</u>
Grand Total	<u>\$138.17</u>	<u>\$290.71</u>	<u>\$298.84</u>	<u>\$311.32</u>	<u>\$323.38</u>	<u>\$335.90</u>

**0.50% Corporate & Individual Income Tax in  
Portsmouth and Currently Authorized Localities  
(\$ millions)**

<b><u>Localities</u></b>	<b><u>FY 2014</u></b>	<b><u>FY 2015</u></b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>FY 2018</u></b>	<b><u>FY 2019</u></b>
Alexandria	\$17.14	\$36.02	\$37.20	\$38.78	\$40.30	\$41.88
Arlington	\$27.78	\$58.34	\$60.31	\$62.89	\$65.37	\$67.93
Fairfax City	\$2.35	\$4.94	\$5.09	\$5.30	\$5.51	\$5.72
Fairfax County	\$123.61	\$259.79	\$268.04	\$279.41	\$290.36	\$301.69
Falls Church	\$1.74	\$3.65	\$3.78	\$3.94	\$4.09	\$4.26
Loudoun	\$34.00	\$71.48	\$73.67	\$76.78	\$79.78	\$82.88
Manassas	\$2.24	\$4.74	\$4.82	\$5.01	\$5.20	\$5.40
Manassas Park	\$0.78	\$1.64	\$1.67	\$1.73	\$1.80	\$1.87
Norfolk	\$8.37	\$17.77	\$17.72	\$18.37	\$19.00	\$19.70
Portsmouth	\$3.42	\$7.27	\$7.26	\$7.53	\$7.79	\$8.07
Prince William	\$29.19	\$61.52	\$62.91	\$65.48	\$67.98	\$70.58
Virginia Beach	<u>\$25.71</u>	<u>\$54.26</u>	<u>\$55.22</u>	<u>\$57.42</u>	<u>\$59.57</u>	<u>\$61.83</u>
Grand Total	<u>\$276.33</u>	<u>\$581.41</u>	<u>\$597.67</u>	<u>\$622.64</u>	<u>\$646.76</u>	<u>\$671.81</u>

**0.75% Corporate & Individual Income Tax in  
Portsmouth and Currently Authorized Localities  
(\$ millions)**

<b><u>Localities</u></b>	<b><u>FY 2014</u></b>	<b><u>FY 2015</u></b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>FY 2018</u></b>	<b><u>FY 2019</u></b>
Alexandria	\$25.72	\$54.03	\$55.79	\$58.17	\$60.46	\$62.82
Arlington	\$41.66	\$87.51	\$90.46	\$94.33	\$98.05	\$101.89
Fairfax City	\$3.52	\$7.41	\$7.63	\$7.95	\$8.27	\$8.59
Fairfax County	\$185.42	\$389.68	\$402.06	\$419.11	\$435.55	\$452.53
Falls Church	\$2.61	\$5.48	\$5.67	\$5.91	\$6.14	\$6.38
Loudoun	\$51.00	\$107.22	\$110.50	\$115.17	\$119.67	\$124.32
Manassas	\$3.37	\$7.11	\$7.23	\$7.52	\$7.80	\$8.10
Manassas Park	\$1.17	\$2.47	\$2.50	\$2.60	\$2.70	\$2.80
Norfolk	\$12.55	\$26.65	\$26.58	\$27.55	\$28.51	\$29.54
Portsmouth	\$5.14	\$10.90	\$10.89	\$11.29	\$11.68	\$12.11
Prince William	\$43.79	\$92.28	\$94.37	\$98.23	\$101.97	\$105.87
Virginia Beach	<u>\$38.56</u>	<u>\$81.39</u>	<u>\$82.82</u>	<u>\$86.13</u>	<u>\$89.36</u>	<u>\$92.75</u>
Grand Total	<u>\$414.50</u>	<u>\$872.12</u>	<u>\$896.51</u>	<u>\$933.96</u>	<u>\$970.14</u>	<u>\$1,007.71</u>

<b>1.00% Corporate &amp; Individual Income Tax in Portsmouth and Currently Authorized Localities (\$ millions)</b>						
<b><u>Localities</u></b>	<b><u>FY 2014</u></b>	<b><u>FY 2015</u></b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>FY 2018</u></b>	<b><u>FY 2019</u></b>
Alexandria	\$34.29	\$72.04	\$74.39	\$77.56	\$80.61	\$83.76
Arlington	\$55.55	\$116.68	\$120.62	\$125.77	\$130.74	\$135.85
Fairfax City	\$4.70	\$9.88	\$10.18	\$10.61	\$11.02	\$11.45
Fairfax County	\$247.22	\$519.57	\$536.07	\$558.81	\$580.73	\$603.38
Falls Church	\$3.48	\$7.30	\$7.55	\$7.88	\$8.19	\$8.51
Loudoun	\$68.00	\$142.96	\$147.34	\$153.56	\$159.56	\$165.77
Manassas	\$4.49	\$9.48	\$9.64	\$10.03	\$10.40	\$10.79
Manassas Park	\$1.56	\$3.29	\$3.34	\$3.47	\$3.60	\$3.73
Norfolk	\$16.73	\$35.54	\$35.44	\$36.73	\$38.01	\$39.39
Portsmouth	\$6.85	\$14.53	\$14.52	\$15.05	\$15.58	\$16.15
Prince William	\$58.38	\$123.04	\$125.83	\$130.97	\$135.95	\$141.17
Virginia Beach	<u>\$51.42</u>	<u>\$108.52</u>	<u>\$110.43</u>	<u>\$114.84</u>	<u>\$119.14</u>	<u>\$123.67</u>
Grand Total	<u>\$552.67</u>	<u>\$1,162.82</u>	<u>\$1,195.35</u>	<u>\$1,245.28</u>	<u>\$1,293.52</u>	<u>\$1,343.62</u>

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

Department of Taxation  
City of Portsmouth  
Counties of Arlington, Fairfax, Loudoun, and Prince William  
Cities of Alexandria, Fairfax, Falls Church, Manassas, Manassas Park, Norfolk, and Virginia Beach

**10. Technical amendment necessary: No.**

**11. Other comments:**

Current Law

Currently, the Counties of Arlington, Fairfax, Loudoun, and Prince William, and the Cities of Alexandria, Fairfax, Falls Church, Manassas, Manassas Park, Norfolk, and Virginia Beach are authorized to levy a local income tax upon the Virginia taxable income of individuals, fiduciaries of estates or trusts, and corporations that have income from sources within such county or city. The local income tax may be imposed at a rate of 0.25 percent, 0.50 percent, 0.75 percent, or 1.0 percent. Within a county or city that imposes the local income tax, the same rate must apply to individuals, fiduciaries of estates or trusts, and corporations.

Counties and cities that are authorized to impose a local income tax may only exercise that authority if the local income tax is approved in a referendum within the county or city in accordance with Va. Code § 24.2-684. The referendum may be initiated by a

resolution of the governing body of the county or city or on the filing of a petition signed by a number of registered voters of the county or city equal to 10 percent of the number of voters registered in the county or city on January 1 of the year in which the petition is filed with the circuit court of such county or city. The clerk of the circuit court must publish notice of the election in a newspaper of general circulation in the county or city once a week for three consecutive weeks prior to the election.

If the voters approve the authority of a county or city to levy a local income tax by majority vote, then the tax may be imposed by the adoption of an ordinance by the governing body of such county or city in accordance with general or special law. The tax may thereafter be enacted, modified, or repealed as any other tax the governing body is empowered to levy. Such local income tax would be effective for taxable years beginning on or after January 1 of the year following the calendar year in which the ordinance levying the tax is adopted.

Generally, no ordinance levying a local income tax may be repealed unless and until all debts or other obligations of the county or city to which such revenues are pledged or otherwise committed have been paid or provision for their payment has been made. However, no local income tax levied by a county or city may continue to be levied on or after the date five years from the effective date of the tax in such county or city regardless of whether such debts or other obligations of the county or city have been paid or provision for their payment has been made.

#### Proposed Legislation

This bill would allow the City of Portsmouth to levy a local income tax.

This bill would eliminate the requirement that the local income tax must be approved by a referendum in the county or city before it may be imposed within such county or city.

This bill would also repeal the statute that requires the local income tax to sunset five years from its effective date in such county or city.

The effective date of this bill is not specified.

cc : Secretary of Finance

Date: 2/12/2013 MTH  
SB1313FE161