

**DEPARTMENT OF TAXATION
2015 Fiscal Impact Statement**

1. **Patron** John S. Edwards

3. **Committee** Senate Finance

4. **Title** Local Cigarette Tax

2. **Bill Number** SB 1414

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would authorize the Counties of Montgomery and Pulaski to impose a local cigarette tax at a rate limited to five cents per pack or the amount levied under state law, whichever is greater. The revenues generated by the tax would be required to be used solely for public education, including but not limited to, school construction. The bill also would provide that the counties must expend or disburse for public education purposes an amount that is at least equal to the average annual amount expended or disbursed for public education purposes, excluding bond proceeds, debt service payments, and federal or state funds, during the 36-month period prior to July 1, 2015. The provisions of the act would expire at midnight on June 30, 2025.

All cities and towns with general taxing powers are already currently authorized to impose a cigarette tax with no rate limitations. Only two counties, Arlington and Fairfax, are authorized to impose a local cigarette tax, which is limited to the amount of the state cigarette tax rate. The state cigarette tax rate is currently 30 cents per pack of 20 cigarettes.

The effective date of this bill is not specified.

6. Budget amendment necessary: No.

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

8. Fiscal implications:

This bill would have an unknown revenue impact on the Counties of Montgomery and Pulaski. The amount of cigarette tax revenue is unknown because it is not known if the counties would impose a local cigarette tax and at what rate they would impose the tax. However, if Montgomery County and Pulaski County were to impose the local cigarette tax at the maximum rate of \$0.30 per pack, passage of this bill would result in an annual revenue gain of approximately \$976,348 to Montgomery County and approximately \$349,317 to Pulaski County. As the Retail Sales and Use Tax is imposed on the sale of cigarettes, this bill is estimated to result in a negligible positive impact on state cigarette

and sales tax revenues. However, increasing the tax may decrease the demand for cigarettes in Montgomery County and Pulaski County, and could potentially decrease state cigarette tax revenues.

9. Specific agency or political subdivisions affected:

Montgomery County
Pulaski County

10. Technical amendment necessary: No.

11. Other comments:

Local Cigarette Taxes

All cities and towns with general taxing powers are already currently authorized to impose a cigarette tax with no rate limitations. According to *Virginia Local Tax Rates, 2013*, published by the Weldon Cooper Center for Public Service, thirty cities and fifty-three towns currently report imposing a cigarette tax. Only two counties, Arlington and Fairfax, are authorized to impose a local cigarette tax, which is limited to the amount of the state cigarette tax rate, currently 30 cents per pack of 20 cigarettes. Both Arlington County and Fairfax County impose the local cigarette tax at the maximum allowed rate of 30 cents per pack of 20 cigarettes.

Proposal

This bill would authorize the Counties of Montgomery and Pulaski to impose a local cigarette tax at a rate limited to five cents per pack or the amount levied under state law, whichever is greater. The revenues generated by the tax would be required to be used solely for public education, including but not limited to, school construction. The bill also would provide that the counties must expend or disburse for public education purposes an amount that is at least equal to the average annual amount expended or disbursed for public education purposes, excluding bond proceeds, debt service payments, and federal or state funds, during the 36-month period prior to July 1, 2015. The provisions of the act would expire at midnight on June 30, 2025.

The effective date of this bill is not specified.

Similar Legislation

House Bill 2348 is similar to this bill, except that it would require the cigarette tax revenues to be used for school maintenance and construction.

House Bill 1310 would impose an excise tax on “vapor products” at the rate of \$0.40 per fluid milliliter of consumable product. The bill would also authorize any locality with the authority to impose a local cigarette tax to impose an excise tax on vapor products at a rate based upon the per milliliter content of consumable product in the vapor product.

House Bill 1590 would increase the Cigarette Tax rate from \$0.30 per pack to \$2.00 per pack of 20 cigarettes and would increase the tax on roll-your-own tobacco from 10% to 60% of the manufacturer's sales price. The bill would also increase the Tobacco Products Tax tobacco products other than moist snuff or loose leaf tobacco from 10% to 60% of the manufacturer's sales price and increase the Tobacco Products Tax on loose leaf tobacco.

House Bill 1994 would authorize all counties to impose a local cigarette tax at a rate limited to 5 cents per pack or the amount levied under state law, whichever is greater.

cc : Secretary of Finance

Date: 1/26/2015 AM
DLAS File Name: SB1414F161