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**HOUSE BILL NO. 216**

Offered January 13, 2016

Prefiled December 28, 2015

*A BILL to amend and reenact §§ 58.1-611.1 and 58.1-638 of the Code of Virginia, relating to sales and use tax rate on food.*

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Patron—LeMunyon

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Referred to Committee on Finance

**Be it enacted by the General Assembly of Virginia:**

- 1. That §§ 58.1-611.1 and 58.1-638 of the Code of Virginia are amended and reenacted as follows:  
§ 58.1-611.1. Rate of tax on sales of food purchased for human consumption.**

A. The tax imposed by §§ 58.1-603 and 58.1-604 on food purchased for human consumption shall be levied and distributed as follows:

1. From January 1, 2000, through midnight on June 30, 2005, the tax rate on such food shall be three percent of the gross sales price. The revenue from the tax shall be distributed as follows: (i) the revenue from the tax at the rate of one-half percent shall be distributed as provided in subsection A of § 58.1-638, (ii) the revenue from the tax at the rate of one percent shall be distributed as provided in subsections B, C and D of § 58.1-638, and (iii) the revenue from the tax at the rate of one and one-half percent shall be used for general fund purposes.

2. On and after July 1, 2005, *through midnight on June 30, 2016*, the tax rate on such food shall be one and one-half percent of the gross sales price. The revenue from the tax shall be distributed as follows: (i) the revenue from the tax at the rate of one-half percent shall be distributed as provided in subsection A of § 58.1-638 and (ii) the revenue from the tax at the rate of one percent shall be distributed as provided in subsections B, C and D of § 58.1-638.

3. *Beginning July 1, 2016, and ending at midnight on June 30, 2017, the tax rate on such food shall be 1.2 percent of the gross sales price. One-third of the revenue from the tax shall be distributed as provided in subsection A of § 58.1-638, and two-thirds of the revenue from the tax shall be distributed as provided in subsections C and D of § 58.1-638.*

4. *Beginning July 1, 2017, and ending at midnight on June 30, 2018, the tax rate on such food shall be 0.9 percent of the gross sales price. One-third of the revenue from the tax shall be distributed as provided in subsection A of § 58.1-638, and two-thirds of the revenue from the tax shall be distributed as provided in subsections C and D of § 58.1-638.*

5. *Beginning July 1, 2018, and ending at midnight on June 30, 2019, the tax rate on such food shall be 0.6 percent of the gross sales price. One-third of the revenue from the tax shall be distributed as provided in subsection A of § 58.1-638, and two-thirds of the revenue from the tax shall be distributed as provided in subsections C and D of § 58.1-638.*

6. *Beginning July 1, 2019, and ending at midnight on June 30, 2020, the tax rate on such food shall be 0.3 percent of the gross sales price. One-third of the revenue from the tax shall be distributed as provided in subsection A of § 58.1-638, and two-thirds of the revenue from the tax shall be distributed as provided in subsections C and D of § 58.1-638.*

7. *Beginning July 1, 2020, the tax imposed pursuant to §§ 58.1-603 and 58.1-604 shall not apply to food purchased for human consumption.*

B. The provisions of this section shall not affect the imposition of tax on food purchased for human consumption pursuant to §§ 58.1-605 and 58.1-606 *through midnight on June 30, 2016*.

1. *Beginning July 1, 2016, and ending at midnight on June 30, 2017, the maximum rate of tax on food purchased for human consumption imposed pursuant to §§ 58.1-605 and 58.1-606 shall be 0.8 percent of the gross sales price.*

2. *Beginning July 1, 2017, and ending at midnight on June 30, 2018, the maximum rate of tax on food purchased for human consumption imposed pursuant to §§ 58.1-605 and 58.1-606 shall be 0.6 percent.*

3. *Beginning July 1, 2018, and ending at midnight on June 30, 2019, the maximum rate of tax on food purchased for human consumption imposed pursuant to §§ 58.1-605 and 58.1-606 shall be 0.4 percent.*

4. *Beginning July 1, 2019, and ending at midnight on June 30, 2020, the maximum rate of tax on food purchased for human consumption imposed pursuant to §§ 58.1-605 and 58.1-606 shall be 0.2 percent.*

5. *Beginning July 1, 2020, the tax imposed by this chapter or pursuant to the authority granted by*

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HB216

59 §§ 58.1-605 and 58.1-606 shall not apply to food purchased for human consumption.

60 C. As used in this section, "food purchased for human consumption" has the same meaning as "food"  
61 defined in the Food Stamp Act of 1977, 7 U.S.C. § 2012, as amended, and federal regulations adopted  
62 pursuant to that Act, except it shall not include seeds and plants which produce food for human  
63 consumption. For the purpose of this section, "food purchased for human consumption" shall not include  
64 food sold by any retail establishment where the gross receipts derived from the sale of food prepared by  
65 such retail establishment for immediate consumption on or off the premises of the retail establishment  
66 constitutes more than 80 percent of the total gross receipts of that retail establishment, including but not  
67 limited to motor fuel purchases, regardless of whether such prepared food is consumed on the premises  
68 of that retail establishment. For purposes of this section, "retail establishment" means each place of  
69 business for which any "dealer," as defined in § 58.1-612, is required to apply for and receive a  
70 certificate of registration pursuant to § 58.1-613.

71 **§ 58.1-638. Disposition of state sales and use tax revenue.**

72 A. The Comptroller shall designate a specific revenue code number for all the state sales and use tax  
73 revenue collected under the preceding sections of this chapter.

74 1. The sales and use tax revenue generated by the one-half percent sales and use tax increase enacted  
75 by the 1986 Special Session of the General Assembly shall be paid, in the manner hereinafter provided  
76 in this section, to the Transportation Trust Fund as defined in § 33.2-1524. Of the funds paid to the  
77 Transportation Trust Fund, an aggregate of 4.2 percent shall be set aside as the Commonwealth Port  
78 Fund as provided in this section; an aggregate of 2.4 percent shall be set aside as the Commonwealth  
79 Airport Fund as provided in this section; and an aggregate of 14.7 percent shall be set aside as the  
80 Commonwealth Mass Transit Fund as provided in this section. The Fund's share of such net revenue  
81 shall be computed as an estimate of the net revenue to be received into the state treasury each month,  
82 and such estimated payment shall be adjusted for the actual net revenue received in the preceding  
83 month. All payments shall be made to the Fund on the last day of each month.

84 2. There is hereby created in the Department of the Treasury a special nonreverting fund which shall  
85 be a part of the Transportation Trust Fund and which shall be known as the Commonwealth Port Fund.

86 a. The Commonwealth Port Fund shall be established on the books of the Comptroller and the funds  
87 remaining in such Fund at the end of a biennium shall not revert to the general fund but shall remain in  
88 the Fund. Interest earned on such funds shall remain in the Fund and be credited to it. Funds may be  
89 paid to any authority, locality or commission for the purposes hereinafter specified.

90 b. The amounts allocated pursuant to this section shall be allocated by the Commonwealth  
91 Transportation Board to the Board of Commissioners of the Virginia Port Authority to be used to  
92 support port capital needs and the preservation of existing capital needs of all ocean, river, or tributary  
93 ports within the Commonwealth. Expenditures for such capital needs are restricted to those capital  
94 projects specified in subsection B of § 62.1-132.1.

95 c. Commonwealth Port Fund revenue shall be allocated by the Board of Commissioners to the  
96 Virginia Port Authority in order to foster and stimulate the flow of maritime commerce through the  
97 ports of Virginia, including but not limited to the ports of Richmond, Hopewell, and Alexandria.

98 3. There is hereby created in the Department of the Treasury a special nonreverting fund which shall  
99 be part of the Transportation Trust Fund and which shall be known as the Commonwealth Airport Fund.  
100 The Commonwealth Airport Fund shall be established on the books of the Comptroller and any funds  
101 remaining in such Fund at the end of a biennium shall not revert to the general fund but shall remain in  
102 the Fund. Interest earned on the funds shall be credited to the Fund. The funds so allocated shall be  
103 allocated by the Commonwealth Transportation Board to the Virginia Aviation Board. The funds shall  
104 be allocated by the Virginia Aviation Board to any Virginia airport which is owned by the  
105 Commonwealth, a governmental subdivision thereof, or a private entity to which the public has access  
106 for the purposes enumerated in § 5.1-2.16, or is owned or leased by the Metropolitan Washington  
107 Airports Authority (MWAA), as follows:

108 Any new funds in excess of \$12.1 million which are available for allocation by the Virginia Aviation  
109 Board from the Commonwealth Transportation Fund, shall be allocated as follows: 60 percent to  
110 MWAA, up to a maximum annual amount of \$2 million, and 40 percent to air carrier airports as  
111 provided in subdivision A 3 a. Except for adjustments due to changes in enplaned passengers, no air  
112 carrier airport sponsor, excluding MWAA, shall receive less funds identified under subdivision A 3 a  
113 than it received in fiscal year 1994-1995.

114 Of the remaining amount:

115 a. Forty percent of the funds shall be allocated to air carrier airports, except airports owned or leased  
116 by MWAA, based upon the percentage of enplanements for each airport to total enplanements at all air  
117 carrier airports, except airports owned or leased by MWAA. No air carrier airport sponsor, however,  
118 shall receive less than \$50,000 nor more than \$2 million per year from this provision.

119 b. Forty percent of the funds shall be allocated by the Aviation Board for air carrier and reliever  
120 airports on a discretionary basis, except airports owned or leased by MWAA.

c. Twenty percent of the funds shall be allocated by the Aviation Board for general aviation airports on a discretionary basis.

3a. There is hereby created in the Department of the Treasury a special nonreverting fund that shall be a part of the Transportation Trust Fund and that shall be known as the Commonwealth Space Flight Fund. The Commonwealth Space Flight Fund shall be established on the books of the Comptroller and the funds remaining in such Fund at the end of a biennium shall not revert to the general fund but shall remain in the Fund. Interest earned on such funds shall remain in the Fund and be credited to it.

a. The amounts allocated to the Commonwealth Space Flight Fund pursuant to § 33.2-1526 shall be allocated by the Commonwealth Transportation Board to the Board of Directors of the Virginia Commercial Space Flight Authority to be used to support the capital needs, maintenance, and operating costs of any and all facilities owned and operated by the Virginia Commercial Space Flight Authority.

b. Commonwealth Space Flight Fund revenue shall be allocated by the Board of Directors to the Virginia Commercial Space Flight Authority in order to foster and stimulate the growth of the commercial space flight industry in Virginia.

4. There is hereby created in the Department of the Treasury a special nonreverting fund which shall be a part of the Transportation Trust Fund and which shall be known as the Commonwealth Mass Transit Fund.

a. The Commonwealth Mass Transit Fund shall be established on the books of the Comptroller and any funds remaining in such Fund at the end of the biennium shall not revert to the general fund but shall remain in the Fund. Interest earned on such funds shall be credited to the Fund. If funds in subdivision 4 b (1)(c) or 4 b (2)(d) are allocated to the construction of a new fixed rail project, such project shall be evaluated according to the process established pursuant to subsection B of § 33.2-214.1. Funds may be paid to any local governing body, transportation district commission, or public service corporation for the purposes hereinafter specified.

b. The amounts allocated pursuant to this section shall be used to support the operating, capital, and administrative costs of public transportation at a state share determined by the Commonwealth Transportation Board, and these amounts may be used to support the capital project costs of public transportation and ridesharing equipment, facilities, and associated costs at a state share determined by the Commonwealth Transportation Board. Capital costs may include debt service payments on local or agency transit bonds. In making these determinations, the Commonwealth Transportation Board shall confer with the Director of the Department of Rail and Public Transportation. In development of the Director's recommendation and subsequent allocation of funds by the Commonwealth Transportation Board, the Director of the Department of Rail and Public Transportation and the Commonwealth Transportation Board shall adhere to the following:

(1) For the distribution of revenues from the Commonwealth Mass Transit Fund, of those revenues generated in 2014 and thereafter, the first \$160 million in revenues or the maximum available revenues if less than \$160 million shall be distributed by the Commonwealth Transportation Board as follows:

(a) Funds for special programs, which shall include ridesharing, transportation demand management programs, experimental transit, public transportation promotion, operation studies, and technical assistance, shall not exceed 3 percent of the funds pursuant to this section and may be allocated to any local governing body, planning district commission, transportation district commission, or public transit corporation, or may be used directly by the Department of Rail and Public Transportation for the following purposes and aid of public transportation services:

(i) To finance a program administered by the Department of Rail and Public Transportation designed to promote the use of public transportation and ridesharing throughout Virginia.

(ii) To finance up to 80 percent of the cost of the development and implementation of projects where the purpose of such project is to enhance the provision and use of public transportation services.

(b) At least 72 percent of the funds shall be distributed to each transit property in the same proportion as its operating expenses bear to the total statewide operating expenses and shall be spent for the purposes specified in subdivision 4 b.

(c) Twenty-five percent of the funds shall be allocated and distributed utilizing a tiered approach evaluated by the Transit Service Delivery Advisory Committee along with the Director of the Department of Rail and Public Transportation and established by the Commonwealth Transportation Board for capital purposes based on asset need and anticipated state participation level and revenues. The tier distribution measures may be evaluated by the Transit Service Delivery Advisory Committee along with the Director of the Department of Rail and Public Transportation every three years and, if redefined by the Board, shall be published at least one year in advance of being applied. Funds allocated for debt service payments will be included in the tier that applies to the capital asset that is leveraged.

(d) Transfer of funds from funding categories in subdivisions 4 b (1)(a) and 4 b (1)(c) to 4 b (1)(b) shall be considered by the Commonwealth Transportation Board in times of statewide economic distress or statewide special need.

182 (2) The Commonwealth Transportation Board shall allocate the remaining revenues after the  
183 application of the provisions set forth in subdivision 4 b (1) generated for the Commonwealth Mass  
184 Transit Fund for 2014 and succeeding years as follows:

185 (a) Funds pursuant to this section shall be distributed among operating, capital, and special projects  
186 in order to respond to the needs of the transit community.

187 (b) Of the funds pursuant to this section, at least 72 percent shall be allocated to support operating  
188 costs of transit providers and distributed by the Commonwealth Transportation Board based on service  
189 delivery factors, based on effectiveness and efficiency, as established by the Commonwealth  
190 Transportation Board. These measures and their relative weight shall be evaluated every three years and,  
191 if redefined by the Commonwealth Transportation Board, shall be published and made available for  
192 public comment at least one year in advance of being applied. In developing the service delivery factors,  
193 the Commonwealth Transportation Board shall create for the Department of Rail and Public  
194 Transportation a Transit Service Delivery Advisory Committee, consisting of two members appointed by  
195 the Virginia Transit Association, one member appointed by the Community Transportation Association  
196 of Virginia, one member appointed by the Virginia Municipal League, one member appointed by the  
197 Virginia Association of Counties, and three members appointed by the Director of the Department of  
198 Rail and Public Transportation, to advise the Department of Rail and Public Transportation in the  
199 development of a distribution process for the funds allocated pursuant to this subdivision 4 b (2)(b) and  
200 how transit systems can incorporate these metrics in their transit development plans. The Transit Service  
201 Delivery Advisory Committee shall elect a Chair. The Department of Rail and Public Transportation  
202 shall provide administrative support to the committee. Effective July 1, 2013, the Transit Service  
203 Delivery Advisory Committee shall meet at least annually and consult with interested stakeholders and  
204 hold at least one public hearing and report its findings to the Director of the Department of Rail and  
205 Public Transportation. Prior to the Commonwealth Transportation Board approving the service delivery  
206 factors, the Director of the Department of Rail and Public Transportation along with the Chair of the  
207 Transit Service Delivery Advisory Committee shall brief the Senate Committee on Finance, the House  
208 Appropriations Committee, and the Senate and House Committees on Transportation on the findings of  
209 the Transit Service Delivery Advisory Committee and the Department's recommendation. Before  
210 redefining any component of the service delivery factors, the Commonwealth Transportation Board shall  
211 consult with the Director of the Department of Rail and Public Transportation, Transit Service Delivery  
212 Advisory Committee, and interested stakeholders and provide for a 45-day public comment period. Prior  
213 to approval of any amendment to the service delivery measures, the Board shall notify the  
214 aforementioned committees of the pending amendment to the service delivery factors and its content.

215 (c) Funds for special programs, which shall include ridesharing, transportation demand management  
216 programs, experimental transit, public transportation promotion, operation studies, and technical  
217 assistance, shall not exceed 3 percent of the funds pursuant to this section and may be allocated to any  
218 local governing body, planning district commission, transportation district commission, or public transit  
219 corporation, or may be used directly by the Department of Rail and Public Transportation for the  
220 following purposes and aid of public transportation services:

221 (i) To finance a program administered by the Department of Rail and Public Transportation designed  
222 to promote the use of public transportation and ridesharing throughout Virginia.

223 (ii) To finance up to 80 percent of the cost of the development and implementation of projects where  
224 the purpose of such project is to enhance the provision and use of public transportation services.

225 (d) Of the funds pursuant to this section, 25 percent shall be allocated and distributed utilizing a  
226 tiered approach evaluated by the Transit Service Delivery Advisory Committee along with the Director  
227 of Rail and Public Transportation and established by the Commonwealth Transportation Board for  
228 capital purposes based on asset need and anticipated state participation level and revenues. The tier  
229 distribution measures may be evaluated by the Transit Service Delivery Advisory Committee along with  
230 the Director of Rail and Public Transportation every three years and, if redefined by the Board, shall be  
231 published at least one year in advance of being applied. Funds allocated for debt service payments shall  
232 be included in the tier that applies to the capital asset that is leveraged.

233 (e) Transfer of funds from funding categories in subdivisions 4 b (2)(c) and 4 b (2)(d) to 4 b (2)(b)  
234 shall be considered by the Commonwealth Transportation Board in times of statewide economic distress  
235 or statewide special need.

236 (f) The Department of Rail and Public Transportation may reserve a balance of up to five percent of  
237 the Commonwealth Mass Transit Fund revenues under this subsection in order to assure better stability  
238 in providing operating and capital funding to transit entities from year to year.

239 (3) The Commonwealth Mass Transit Fund shall not be allocated without requiring a local match  
240 from the recipient.

241 c. There is hereby created in the Department of the Treasury a special nonreverting fund known as  
242 the Commonwealth Transit Capital Fund. The Commonwealth Transit Capital Fund shall be part of the  
243 Commonwealth Mass Transit Fund. The Commonwealth Transit Capital Fund subaccount shall be

established on the books of the Comptroller and consist of such moneys as are appropriated to it by the General Assembly and of all donations, gifts, bequests, grants, endowments, and other moneys given, bequeathed, granted, or otherwise made available to the Commonwealth Transit Capital Fund. Any funds remaining in the Commonwealth Transit Capital Fund at the end of the biennium shall not revert to the general fund, but shall remain in the Commonwealth Transit Capital Fund. Interest earned on funds within the Commonwealth Transit Capital Fund shall remain in and be credited to the Commonwealth Transit Capital Fund. Proceeds of the Commonwealth Transit Capital Fund may be paid to any political subdivision, another public entity created by an act of the General Assembly, or a private entity as defined in § 33.2-1800 and for purposes as enumerated in subdivision 7 of § 33.2-1701 or expended by the Department of Rail and Public Transportation for the purposes specified in this subdivision. Revenues of the Commonwealth Transit Capital Fund shall be used to support capital expenditures involving the establishment, improvement, or expansion of public transportation services through specific projects approved by the Commonwealth Transportation Board. If revenues of the Commonwealth Transit Capital Fund are allocated to the construction of a new fixed rail project, such project shall be evaluated according to the process established pursuant to subsection B of § 33.2-214.1. The Commonwealth Transit Capital Fund shall not be allocated without requiring a local match from the recipient.

d. The Commonwealth Transportation Board may allocate up to three and one-half percent of the funds set aside for the Commonwealth Mass Transit Fund to support costs of project development, project administration, and project compliance incurred by the Department of Rail and Public Transportation in implementing rail, public transportation, and congestion management grants and programs.

5. Funds for Metro shall be paid by the Northern Virginia Transportation Commission (NVTC) to the Washington Metropolitan Area Transit Authority (WMATA) and be a credit to the Counties of Arlington and Fairfax and the Cities of Alexandria, Falls Church, and Fairfax in the following manner:

a. Local obligations for debt service for WMATA rail transit bonds apportioned to each locality using WMATA's capital formula shall be paid first by NVTC. NVTC shall use 95 percent state aid for these payments.

b. The remaining funds shall be apportioned to reflect WMATA's allocation formulas by using the related WMATA-allocated subsidies and relative shares of local transit subsidies. Capital costs shall include 20 percent of annual local bus capital expenses. Hold harmless protections and obligations for NVTC's jurisdictions agreed to by NVTC on November 5, 1998, shall remain in effect.

Appropriations from the Commonwealth Mass Transit Fund are intended to provide a stable and reliable source of revenue as defined by Public Law 96-184.

6. Notwithstanding any other provision of law, funds allocated to Metro may be disbursed by the Department of Rail and Public Transportation directly to Metro or to any other transportation entity that has an agreement to provide funding to Metro.

B. The sales and use tax revenue generated by a one percent sales and use tax shall be distributed among the counties and cities of the Commonwealth in the manner provided in subsections C and D.

C. The localities' share of the net revenue distributable under this section among the counties and cities shall be apportioned by the Comptroller and distributed among them by warrants of the Comptroller drawn on the Treasurer of Virginia as soon as practicable after the close of each month during which the net revenue was received into the state treasury. The distribution of the localities' share of such net revenue shall be computed with respect to the net revenue received into the state treasury during each month, and such distribution shall be made as soon as practicable after the close of each such month.

D. The net revenue so distributable among the counties and cities shall be apportioned and distributed upon the basis of the latest yearly estimate of the population of cities and counties ages five to 19, provided by the Weldon Cooper Center for Public Service of the University of Virginia. Such population estimate produced by the Weldon Cooper Center for Public Service of the University of Virginia shall account for persons who are domiciled in orphanages or charitable institutions or who are dependents living on any federal military or naval reservation or other federal property within the school division in which the institutions or federal military or naval reservation or other federal property is located. Such population estimate produced by the Weldon Cooper Center for Public Service of the University of Virginia shall account for members of the military services who are under 20 years of age within the school division in which the parents or guardians of such persons legally reside. Such population estimate produced by the Weldon Cooper Center for Public Service of the University of Virginia shall account for individuals receiving services in state hospitals, state training centers, or mental health facilities, persons who are confined in state or federal correctional institutions, or persons who attend the Virginia School for the Deaf and the Blind within the school division in which the parents or guardians of such persons legally reside. Such population estimate produced by the Weldon

Cooper Center for Public Service of the University of Virginia shall account for persons who attend institutions of higher education within the school division in which the student's parents or guardians legally reside. To such estimate, the Department of Education shall add the population of students with disabilities, ages two through four and 20 through 21, as provided to the Department of Education by school divisions. The revenue so apportionable and distributable is hereby appropriated to the several counties and cities for maintenance, operation, capital outlays, debt and interest payments, or other expenses incurred in the operation of the public schools, which shall be considered as funds raised from local resources. In any county, however, wherein is situated any incorporated town constituting a school division, the county treasurer shall pay into the town treasury for maintenance, operation, capital outlays, debt and interest payments, or other expenses incurred in the operation of the public schools, the proper proportionate amount received by him in the ratio that the school population of such town bears to the school population of the entire county. If the school population of any city or of any town constituting a school division is increased by the annexation of territory since the last estimate of school population provided by the Weldon Cooper Center for Public Service, such increase shall, for the purposes of this section, be added to the school population of such city or town as shown by the last such estimate and a proper reduction made in the school population of the county or counties from which the annexed territory was acquired.

E. Beginning July 1, 2000, of the remaining sales and use tax revenue, the revenue generated by a two percent sales and use tax, up to an annual amount of \$13 million, collected from the sales of hunting equipment, auxiliary hunting equipment, fishing equipment, auxiliary fishing equipment, wildlife-watching equipment, and auxiliary wildlife-watching equipment in Virginia, as estimated by the most recent U.S. Department of the Interior, Fish and Wildlife Service and U.S. Department of Commerce, Bureau of the Census National Survey of Fishing, Hunting, and Wildlife-Associated Recreation, shall be paid into the Game Protection Fund established under § 29.1-101 and shall be used, in part, to defray the cost of law enforcement. Not later than 30 days after the close of each quarter, the Comptroller shall transfer to the Game Protection Fund the appropriate amount of collections to be dedicated to such Fund. At any time that the balance in the Capital Improvement Fund, established under § 29.1-101.01, is equal to or in excess of \$35 million, any portion of sales and use tax revenues that would have been transferred to the Game Protection Fund, established under § 29.1-101, in excess of the net operating expenses of the Board, after deduction of other amounts which accrue to the Board and are set aside for the Game Protection Fund, shall remain in the general fund until such time as the balance in the Capital Improvement Fund is less than \$35 million.

F. 1. Of the net revenue generated from the one-half percent increase in the rate of the state sales and use tax effective August 1, 2004, pursuant to enactments of the 2004 Special Session I of the General Assembly, the Comptroller shall transfer from the general fund of the state treasury to the Public Education Standards of Quality/Local Real Estate Property Tax Relief Fund established under § 58.1-638.1 an amount equivalent to one-half of the net revenue generated from such one-half percent increase as provided in this subdivision. The transfers to the Public Education Standards of Quality/Local Real Estate Property Tax Relief Fund under this subdivision shall be for one-half of the net revenue generated (and collected in the succeeding month) from such one-half percent increase for the month of August 2004 and for each month thereafter.

2. Beginning July 1, 2013, of the remaining sales and use tax revenue, an amount equal to the revenue generated by a 0.125 percent sales and use tax shall be distributed to the Public Education Standards of Quality/Local Real Estate Property Tax Relief Fund established under § 58.1-638.1, and be used for the state's share of Standards of Quality basic aid payments.

3. *Of the remaining sales and use tax revenue, the following amounts shall be distributed to each county and city, based on the locality's proportionate share of the total net amount of sales and use tax revenue collected by all localities in the prior fiscal year: (i) for the fiscal year beginning July 1, 2016, the sales and use tax revenue generated by a 0.03 percent tax rate; (ii) for the fiscal year beginning July 1, 2017, the sales and use tax revenue generated by a 0.06 percent tax rate; (iii) for the fiscal year beginning July 1, 2018, the sales and use tax revenue generated by a 0.09 percent tax rate; (iv) for the fiscal year beginning July 1, 2019, the sales and use tax revenue generated by a 0.12 percent tax rate; and (v) for the fiscal year beginning July 1, 2020, and for all fiscal years thereafter, the sales and use tax revenue generated by a 0.15 percent tax rate.*

4. For the purposes of the Comptroller making the required transfers under ~~subdivision~~ subdivisions 1, ~~and~~ 2, and 3, the Tax Commissioner shall make a written certification to the Comptroller no later than the twenty-fifth of each month certifying the sales and use tax revenues generated in the preceding month. Within three calendar days of receiving such certification, the Comptroller shall make the required transfers to the Public Education Standards of Quality/Local Real Estate Property Tax Relief Fund.

G. (Contingent expiration date — see note) Beginning July 1, 2013, of the remaining sales and use tax revenue, an amount equal to the following percentages of the revenue generated by a one-half

percent sales and use tax, such as that paid to the Transportation Trust Fund as provided in subdivision A 1, shall be paid to the Highway Maintenance and Operating Fund established pursuant to § 33.2-1530:

1. For fiscal year 2014, an amount equal to 10 percent;

2. For fiscal year 2015, an amount equal to 20 percent;

3. For fiscal year 2016, an amount equal to 30 percent; and

4. For fiscal year 2017 and thereafter, an amount equal to 35 percent.

The Highway Maintenance and Operating Fund's share of the net revenue distributable under this subsection shall be computed as an estimate of the net revenue to be received into the state treasury each month, and such estimated payment shall be adjusted for the actual net revenue received in the preceding month. All payments shall be made to the Fund on the last day of each month.

H. (Contingent expiration date — see note) 1. The additional revenue generated by increases in the state sales and use tax from Planning District 8 pursuant to §§ 58.1-603.1, 58.1-604.01, 58.1-604.1, and 58.1-614 shall be deposited by the Comptroller in the fund established under § 33.2-2509.

2. The additional revenue generated by increases in the state sales and use tax from Planning District 23 pursuant to §§ 58.1-603.1, 58.1-604.01, 58.1-604.1, and 58.1-614 shall be deposited by the Comptroller in the fund established under § 33.2-2600.

3. The additional revenue generated by increases in the state sales and use tax in any other Planning District pursuant to §§ 58.1-603.1, 58.1-604.01, 58.1-604.1, and 58.1-614 shall be deposited into special funds that shall be established by appropriate legislation.

4. The net revenues distributable under this subsection shall be computed as an estimate of the net revenue to be received by the state treasury each month, and such estimated payment shall be adjusted for the actual net revenue received in the preceding month. All payments shall be made to the appropriate funds on the last day of each month.

I. If errors are made in any distribution, or adjustments are otherwise necessary, the errors shall be corrected and adjustments made in the distribution for the next quarter or for subsequent quarters.

J. The term "net revenue," as used in this section, means the gross revenue received into the general fund or the Transportation Trust Fund of the state treasury under the preceding sections of this chapter, less refunds to taxpayers.