

DEPARTMENT OF TAXATION

2016 Fiscal Impact Statement

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| 1. Patron Kaye Kory | 2. Bill Number <u>HB 1198</u> |
| 3. Committee House Finance | House of Origin:
<u> X </u> Introduced
<u> </u> Substitute
<u> </u> Engrossed |
| 4. Title Local Cigarette Tax; Counties of Arlington and Fairfax | Second House:
<u> </u> In Committee
<u> </u> Substitute
<u> </u> Enrolled |

5. Summary/Purpose:

This bill would increase the rate of the local cigarette tax that the Counties of Arlington and Fairfax are authorized to impose from the amount levied under state law or five cents per pack, whichever is greater, to double the amount levied under state law or five cents per pack, whichever is greater. The portion of the revenues derived from the imposition of the tax that is greater than 30 cents per pack would be required to be annually dedicated to elementary or secondary education.

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. Both Arlington County and Fairfax County impose the local cigarette tax at the maximum allowed rate of 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 Arlington and Fairfax. The amount of cigarette tax revenue is unknown because it is not known if the counties would increase the local cigarette tax rate. However, if Arlington County and Fairfax County were to impose the local cigarette tax at the maximum rate of \$0.60 per pack, passage of this bill would result in an annual revenue gain of approximately \$2.8 million for Arlington County and approximately \$7.5 million for Fairfax County. As the Retail Sales and Use Tax is imposed on the sale of cigarettes, this bill may result in an unknown positive impact on state sales tax revenues. However, increasing the tax may decrease the demand for cigarettes in Arlington County and Fairfax County, and could potentially decrease state Cigarette Tax revenues by an unknown amount.

9. Specific agency or political subdivisions affected:

Arlington County
Fairfax 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, 2014, published by the Weldon Cooper Center for Public Service, twenty-nine cities and fifty-two 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 increase the rate of the local cigarette tax that the Counties of Arlington and Fairfax are authorized to impose from the amount levied under state law or five cents per pack, whichever is greater, to double the amount levied under state law or five cents per pack, whichever is greater. The portion of the revenues derived from the imposition of the tax that is greater than 30 cents per pack would be required to be annually dedicated to elementary or secondary education.

The effective date of this bill is not specified.

Similar Legislation

Senate Bill 155 is identical to this bill.

House Bill 85 and **House Bill 419** would authorize all counties to impose a local cigarette tax at a rate not to exceed 5 cents per pack or the amount levied under state law, whichever is greater.

House Bill 627 would impose an excise tax on “vapor products” at the rate of 15 percent of the manufacturer’s sales price. The bill would also authorize any locality with the authority to impose a local cigarette tax to impose a tax on the sale or use of vapor products at a rate based upon the manufacturer’s sales price of the vapor product.

House Bill 830 would increase the Cigarette Tax rate from \$0.30 per pack to \$1.50 per pack of 20 cigarettes and would increase the tax on roll-your-own tobacco from 10% to 50% 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 50% of the manufacturer's sales price and increase the Tobacco Products Tax on loose leaf tobacco.

House Bill 1192 would authorize all counties to impose a local cigarette tax at a rate not to exceed 5 cents per pack or twice the amount levied under state law, whichever is greater. The bill also would require the revenue from such authorization to be dedicated to K-12 public school education.

cc : Secretary of Finance

Date: 1/22/2016 AM
DLAS File Name: HB1198F161