

DEPARTMENT OF TAXATION

2017 Fiscal Impact Statement

1. **Patron** Christopher K. Peace
3. **Committee** Passed House and Senate
4. **Title** Local Cigarette Tax; Refunds

2. **Bill Number** HB 1950
House of Origin:
 Introduced
 Substitute
 Engrossed

Second House:
 In Committee
 Substitute
 X **Enrolled**

5. Summary/Purpose:

This bill would clarify that any locality imposing a local cigarette tax must refund the purchase price of any stamp purchased to evidence payment of the tax, without penalties or additional fees, after verifying that the stamps have been returned to the locality.

Under current law, refunds are provided on returned state cigarette excise tax stamps.

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:**

To the extent that a locality imposing a local cigarette tax does not currently allow refunds for returned stamps or imposes penalties or fees for such returned stamps, this bill would have an unknown negative impact on local revenues. The bill would have no impact on state revenues.

9. Specific agency or political subdivisions affected:

All localities that impose a local cigarette tax

10. Technical amendment necessary: No.

11. Other comments:

Local Cigarette Taxes

All cities and towns with general taxing powers are currently authorized to impose a cigarette tax with no rate limitations. According to *Virginia Local Tax Rates, 2015*, published by the Weldon Cooper Center for Public Service, 84 jurisdictions report that

they impose the local cigarette tax, including 30 cities and 52 towns. 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. Local cigarette taxes are typically administered and enforced at the local level. However, the Northern Virginia Cigarette Tax Board ("NVCTB") administers and enforces the local cigarette tax on behalf of 18 northern Virginia jurisdictions.

Virginia Code § 58.1-3830 authorizes localities that impose a cigarette tax to use local cigarette tax stamps to evidence payment of the tax and *Va. Code* § 58.1-3832 authorizes joint enforcement agencies to issue their own tax stamp. Local government and joint enforcement agencies may enter into an arrangement with the Department to use a dual stamp to evidence the payment of both the state and local taxes. The NVCTB uses a dual stamp that represents both the state and local cigarette taxes. This dual stamp is sold by the Department for the state cigarette tax rate. Stamping agents remit the tax to the NVCTB via a monthly return that lists all retailers by jurisdiction.

Proposal

This bill would clarify that any locality imposing a local cigarette tax must refund the purchase price of any stamp purchased to evidence payment of the tax, without penalties or additional fees, after verifying that the stamps have been returned to the locality.

The effective date of this bill is not specified.

Similar Legislation

House Bill 1913 and **Senate Bill 1390** would require possession of a newly created Department-issued exemption certificate to purchase for resale cigarettes bearing Virginia revenue stamps exempt from Retail Sales and Use Tax beginning January 1, 2018.

cc : Secretary of Finance

Date: 2/16/2017 AM
DLAS File Name: HB1950FER161