

DEPARTMENT OF TAXATION

2018 Fiscal Impact Statement

1. **Patron** Emily M. Brewer

3. **Committee** House Finance

4. **Title** Local Cigarette Tax; Refund of Unused Stamps

2. **Bill Number** HB 526

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would mandate that any cigarette tax stamps returned to a locality for a refund must be in an undamaged and unused condition in order to qualify for a refund of the purchase price.

Current law is silent as to the condition in which stamps must be returned to be eligible for a refund.

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 is able to refuse to refund amounts paid for returned cigarette tax stamps, this bill would have an unknown positive 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, 2016*, published by the Weldon Cooper Center for Public Service, 91 jurisdictions report that they impose the local cigarette tax, including 30 cities and 59 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 stamps. Local governments and joint enforcement agencies may enter into an arrangement with the Department of Taxation ("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 cigarette tax stamps returned to a locality for a refund must be in an undamaged and unused condition in order to qualify for a refund of the purchase price.

The effective date of this bill is not specified.

cc : Secretary of Finance

Date: 1/16/2018 VB
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