

DEPARTMENT OF TAXATION

2019 Fiscal Impact Statement

1. **Patron** Jeffrey L. Campbell

3. **Committee** House Finance

4. **Title** Local Cigarette Tax; Authority of Certain
Counties; Use of Proceeds for School
Construction

2. **Bill Number** HB 1946

House of Origin:

X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would authorize any county to impose a local cigarette tax, provided it uses the revenues to fund the construction or improvement of local elementary or secondary schools. Under current law, Arlington and Fairfax are the only counties authorized to impose a local cigarette tax.

If enacted during the 2019 Regular Session of the General Assembly, this bill would become effective July 1, 2019.

6. **Budget amendment necessary:** No

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

8. **Fiscal implications:**

Administrative Cost

This bill could result in unknown administrative costs to counties that enact a local cigarette tax. It would have no impact on state administrative costs.

Revenue Impact

This bill could have an unknown positive revenue impact on counties that enact a cigarette tax. It would have no impact on state revenues.

9. **Specific agency or political subdivisions affected:**

All counties except Fairfax and Arlington

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. Currently, 115 jurisdictions report that they impose the local cigarette tax, including 113 cities and 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 17 Northern Virginia jurisdictions.

State law authorizes localities that impose a cigarette tax to use local cigarette tax stamps to evidence payment of the tax and authorizes joint enforcement agencies to issue their own tax stamp. Local government 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 authorize any county to impose a local cigarette tax, provided it uses the revenues to fund the construction or improvement of local elementary or secondary schools.

If enacted during the 2019 Regular Session of the General Assembly, this bill would become effective July 1, 2019.

cc : Secretary of Finance

Date: 1/9/2019 SK
HB1946F161