

# DEPARTMENT OF TAXATION

## 2019 Fiscal Impact Statement

1. **Patron** Terry G. Kilgore

3. **Committee** Counties, Cities and Towns

4. **Title** Local Government Taxing Authority;  
Equalizes Municipal and County Taxing  
Authorities

2. **Bill Number** HB 2189

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

### 5. **Summary/Purpose:**

This bill would grant counties the same taxing powers now granted to cities and towns, effective July 1, 2020. Under current law, when compared to cities and towns, counties are not authorized to impose certain taxes and are limited in the rates that they may impose for other taxes.

The bill would also require the Joint Subcommittee on Local Government Fiscal Stress to review this bill and develop recommended legislation to make any other amendments necessary to the Code of Virginia to effectuate the provisions of this bill. The Joint Subcommittee would be required to solicit the input of urban and rural counties; counties with low, average, and high population densities; the Virginia Association of Counties; the Virginia Municipal League; and any other stakeholders that it deems relevant to the discussion. The Joint Subcommittee would be required to include a copy of the recommended legislation as a part of its annual report.

6. **Budget amendment necessary:** No

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

### 8. **Fiscal implications:**

#### Administrative Costs

This bill could result in unknown administrative costs related to the new taxing authority of counties. It would have no impact on state administrative costs.

#### Revenue Impact

This bill could result in a positive revenue impact to counties as a result of the change in taxing authority. It would have no impact on state revenues.

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

**10. Technical amendment necessary: No**

**11. Other comments:**

Taxing Authority of Counties

Examples of limitations which currently apply to counties (except for specifically identified counties and counties excepted under a specific grandfather clause) but not to cities and towns, include the following:

- The tax rate that counties may impose on food and beverages is limited and the tax may only be levied if approved in a referendum; and
- The tax rate that counties may impose on transient occupancies is limited and the resulting revenue must be designated for certain purposes.

The issue of equalizing city and county taxing authority was addressed in the report of the Commission on Virginia's State and Local Tax Structure for the 21st Century (2001 House Document No. 22). The Commission recommended that the distinction in the taxing authority of Virginia's cities and counties be eliminated. The Commission report states that the distinction is "based solely on an historical legalism and which has no relevancy to modern service responsibilities." The Commission report also notes that equalizing city and county taxing authority will broaden "the potential revenue base of counties, reduce their dependence on their real estate tax base, and make the potential revenue bases and therefore the measurement of revenue effort of cities and counties directly comparable."

Proposal

This bill would grant counties the same taxing powers now granted to cities and towns, effective July 1, 2020. Under current law, when compared to cities and towns, counties are not authorized to impose certain taxes and are limited in the tax rates that they may impose for other taxes.

The bill would also require the Joint Subcommittee on Local Government Fiscal Stress to review this bill and develop recommended legislation to make any other amendments necessary to the Code of Virginia to fully enact this legislation. The Joint Subcommittee would be required to solicit the input of urban and rural counties; counties with low, average, and high population densities; the Virginia Association of Counties; the Virginia Municipal League; and any other stakeholders that it deems relevant to the discussion. The Joint Subcommittee would be required to include a copy of the recommended legislation as a part of its annual report.

cc : Secretary of Finance

Date: 1/26/2019 SK  
DLAS File Name: HB2189F161