

DEPARTMENT OF TAXATION

2019 Fiscal Impact Statement

1. **Patron** Charles W. Carrico, Sr.

3. **Committee** Senate Finance

4. **Title** Cigarette Tax; Counties Authorized to Hold Referendum

2. **Bill Number** SB 1512

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would authorize the board of supervisors of any county to impose a tax on the sale or use of cigarettes, not to exceed five cents (\$0.05) or the amount levied under state law, but only if approved in a referendum. This bill would also mandate that, once a cigarette tax referendum has been held in a county, no other referendum on the same question shall be held in the same county for a period of 23 months.

Under current law, all cities and towns have the authority to impose a cigarette tax but only the counties of Arlington and Fairfax are authorized to do the same.

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

To the extent that a county holds a successful referendum and levies the tax as a result, this bill could have an unknown impact on local administrative costs. This bill would have no impact on state administrative costs.

Revenue Impact

To the extent that a county holds a successful referendum and levies the tax as a result, this bill would have an unknown positive impact on local revenues. This bill would have no impact on state revenues.

9. Specific agency or political subdivisions affected:

Counties

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.

Proposal

This bill would authorize the board of supervisors of any locality to impose a tax on the sale or use of cigarettes, not to exceed five cents (\$0.05) or the amount levied under state law, if approved in a referendum. The bill would also mandate that, once a cigarette tax referendum has been held in a county, no other referendum on the same question shall be held in the same county for a period of 23 months.

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

Similar Legislation

House Bill 1946 would authorize any county to impose a local cigarette tax provided the county uses the funds for construction or improvements to elementary schools.

Senate Bills 1252 and **1371** are identical bills that would define, for cigarette tax purposes, various non-combustible tobacco products; clarify that the definition of "cigarette" includes only nicotine containing products that produce smoke from combustion; and extend until November 2019 a study for options for modernizing the cigarette taxes and associated reforms.

cc : Secretary of Finance

Date: 1/13/2019 VB
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