

DEPARTMENT OF TAXATION

2020 Fiscal Impact Statement

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| 1. Patron Lynwood W. Lewis, Jr. | 2. Bill Number <u>SB 1028</u> |
| | House of Origin: |
| 3. Committee Senate Finance and Appropriations | <u> X </u> Introduced |
| | <u> </u> Substitute |
| | <u> </u> Engrossed |
| 4. Title Retail Sales and Use Tax: Northampton County; Additional Sales and Use Tax | Second House: |
| | <u> </u> In Committee |
| | <u> </u> Substitute |
| | <u> </u> Enrolled |

5. Summary/Purpose:

This bill would authorize Northampton County to impose, by ordinance, an additional local sales and use tax at a rate of up to one percent as determined by its local governing body. The additional tax would not be levied on food purchased for human consumption that is taxed at a reduced rate. Revenue from the tax would be required to be used solely for capital projects for the construction or improvement of schools.

Under current law, only Halifax County is authorized to impose an additional sales and use tax at a rate of up to one percent for capital projects for the construction or improvement of schools.

The additional tax would be required to first be approved by voters at a referendum and initiated by a resolution of the local governing body.

Any local sales tax levied under this legislation would be administered and collected by the Tax Commissioner in the same manner and subject to the same exemptions and penalties as the state sales tax.

If enacted during the Regular Session of the 2020 General Assembly, this bill would become effective July 1, 2020.

- 6. Budget amendment necessary:** No
- 7. Fiscal Impact Estimates are:** Not available. (See Line 8.)
- 8. Fiscal implications:**

Administrative Costs

The Department of Taxation ("the Department") considers implementation of this bill as routine and does not require additional funding.

Revenue Impact

This bill would have no impact on state revenues. To the extent that Northampton County authorizes an additional sales and use tax, there would be an unknown positive impact to local revenues.

9. Specific agency or political subdivisions affected:

Department of Taxation
Northampton County

10. Technical amendment necessary: No

11. Other comments:

Background

Under current law, counties and cities may levy a general retail sales and use tax at the rate of one percent to provide revenue for the general fund of such city or county. The tax is added to the rate of the state sales and use tax and is administered and collected by the Tax Commissioner in the same manner and subject to the same penalties as the state tax. The revenue from the local portion of the sales tax is distributed by the Department to each locality monthly.

Legislation passed during the 2018 session of the General Assembly imposed an additional one percent sales and use tax in the “Historic Triangle,” defined as the City of Williamsburg and the Counties of James City and York. Fifty percent of the revenues generated by the tax are transferred to the newly created Tourism Council of the Greater Williamsburg Chamber and Tourism Alliance to market, promote, and advertise the Historic Triangle as a tourism destination. The other fifty percent is distributed to the localities in which the revenues were collected.

Legislation passed during the 2019 session of the General Assembly authorized Halifax County to impose, by ordinance, an additional local sales and use tax at a rate of up to one percent as determined by its local governing body. This tax would be in addition to the one percent general local sales and use tax authorized under current law. The additional tax would be required to first be approved by voters at a referendum and initiated by a resolution of the local governing body. Further, the tax would expire on the date by which bonds or loans are repaid if the capital projects for the construction or renovation of schools are to be financed by bonds or loans; or if the capital projects for the construction or renovation of schools are not financed by bonds or loans, on a date chosen by the governing body and specified in any resolution that imposes the additional tax. The expiration date would not be permitted to be more than 20 years after the date of the resolution. Halifax County has adopted this additional local sales and use tax at the rate of one percent, effective July 1, 2020.

Proposal

This bill would authorize Northampton County to impose, by ordinance, an additional local sales and use tax at a rate of up to one percent as determined by its local governing body. This tax would be in addition to the one percent general local sales and use tax authorized under current law. The additional tax would not be levied on food purchased for human consumption that is taxed at a reduced rate. However, the additional one percent tax would apply to essential personal hygiene items that are generally subject to the same reduced rate that applies to food for human consumption. Revenue from the tax must be used solely for capital projects for the construction or improvement of schools.

The additional tax would be required to first be approved by voters at a referendum and initiated by a resolution of the local governing body. Further, the tax would expire on the date by which bonds or loans are repaid if the capital projects for the construction or renovation of schools are to be financed by bonds or loans; or if the capital projects for the construction or renovation of schools are not financed by bonds or loans, on a date chosen by the governing body and specified in any resolution that imposes the additional tax.

The expiration date would not be permitted to be more than 20 years after the date of the resolution. Any local sales tax levied under this legislation would be administered and collected by the Tax Commissioner in the same manner and subject to the same exemptions and penalties as the state sales tax.

If enacted during the Regular Session of the 2020 General Assembly, this bill would become effective July 1, 2020.

Similar Legislation

Senate Bill 224 would authorize Gloucester County to impose an additional local sales and use tax at a rate not to exceed one percent, as determined by the governing body to be used solely for capital projects for new construction or major renovation of schools.

Senate Bill 254 requires that the City of Williamsburg and the Counties of James City and York each allocate 10 percent of the revenues received from the Historic Triangle sales and use tax for the planning and construction of a shared sports facility. If the three localities do not approve the development of a shared sports facility by July 1, 2021, Chapter 850 of the Acts of Assembly of 2018 that created and authorized the additional sales and use tax would expire.

House Bill 1631 would authorize Charlotte County to impose an additional local sales and use tax at a rate not to exceed one percent, as determined by the governing body to be used solely for capital projects for new construction or major renovation of schools.

House Bill 200 and **Senate Bill 943** would authorize Mecklenburg County to impose an additional local sales and use tax at a rate not to exceed one percent, as determined by the governing body to be used solely for capital projects for new construction or major renovation of schools.

House Bill 486 would authorize Henry County, Pittsylvania County, and the City of Danville to impose an additional local sales and use tax at a rate not to exceed one percent, as determined by the governing body to be used solely for capital projects for new construction or major renovation of schools in the locality enacting the tax.

cc: Secretary of Finance
Date: 1/26/2020 SK
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