

DEPARTMENT OF TAXATION

2020 Fiscal Impact Statement

1. **Patron** Thomas K. Norment, Jr.

2. **Bill Number** SB 254

3. **Committee** Senate Finance and Appropriations

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. **Title** State Sales and Use Tax in the Historic Triangle; Referendum

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would require that the City of Williamsburg and the Counties of James City and York contribute at least 10 percent of each locality's share of the revenues generated by the additional one percent sales and use tax in the Historic Triangle Region toward the cooperative planning and construction of a sports facility to be shared by the three localities. The bill would also mandate that if the localities do not approve the development of a shared sports facility by July 1, 2021, then the additional one percent sales tax will be repealed.

Under current law, fifty percent of the revenues generated by the additional one percent tax are allocated to the 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.

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

6. **Budget amendment necessary:** No.

7. **Fiscal Impact Estimates are:** Preliminary (See Line 8.)

8. **Fiscal implications:**

Administrative Costs

The Department considers implementation of this bill to be routine and does not require additional funding. This bill would have no impact on state revenues.

Revenue Impact

Under this bill, if Williamsburg, James City County, and York County fail to approve the development of the shared sports facility resulting in the repeal of the additional sales and

use tax, the localities would experience an aggregate negative revenue impact of \$10.2 million in Fiscal Year 2022, \$12.5 million in Fiscal Year 2023, \$12.7 million in Fiscal Year 2024, \$12.9 million in Fiscal Year 2025, and \$13.1 million in Fiscal Year 2026. The Historic Triangle Marketing Fund would also experience a negative revenue impact of \$10.2 million in Fiscal Year 2022, \$12.5 million in Fiscal Year 2023, \$12.7 million in Fiscal Year 2024, \$12.9 million in Fiscal Year 2025, and \$13.1 million in Fiscal Year 2026. See chart below.

Fund	FY 2022	FY 2023	FY 2024
Additional Sales and Use Tax			
James City County	(\$4,291,039)	(\$5,223,408)	(\$5,306,983)
Williamsburg	(\$1,813,183)	(\$2,207,157)	(\$2,242,471)
York County	(\$4,136,788)	(\$5,035,641)	(\$5,116,211)
Williamsburg Area Destination Marketing Committee	(\$10,241,009)	(\$12,466,207)	(\$12,665,666)
Total	(\$20,482,018)	(\$24,932,413)	(\$25,331,332)

Allocating ten percent of the revenue from the additional one percent sales tax towards planning and construction of the shared sports facility would result in an annual negative revenue impact of \$500,000 each to James City and York Counties and \$220,000 to Williamsburg. See chart below.

Fund	FY 2022	FY 2023	FY 2024
Additional Sales and Use Tax			
James City	(\$514,115)	(\$522,341)	(\$530,698)
Williamsburg	(\$217,240)	(\$220,716)	(\$224,247)
York	(\$495,634)	(\$503,564)	(\$511,621)
Total	(\$1,226,989)	(\$1,246,621)	(\$1,266,567)

9. Specific agency or political subdivisions affected:

City of Williamsburg
Counties of James City and York

10. Technical amendment necessary: No.

11. Other comments:

Additional Sales and Use Tax in the Historic Triangle

Chapter 850 of the 2018 *Acts of Assembly* imposed an additional one percent sales and use tax in the “Historic Triangle” region, defined as the City of Williamsburg and the Counties of James City and York. Food for human consumption is subject to the additional tax.

Fifty percent of the revenues generated by the tax are allocated to the 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.

Along with enacting the additional tax, the law change repealed the authority of these localities to impose the \$2 transient occupancy tax used to promote tourism in the area. The provisions of the legislation were contingent on the City of Williamsburg repealing ordinances raising its local transient occupancy, food and beverage, and admission taxes and will expire if any of the localities within the Historic Triangle reinstate any such taxes prior to January 1, 2026. The localities undertook the necessary steps to allow for the tax to be collected beginning July 1, 2018.

Proposal

This bill would require that the City of Williamsburg and the Counties of James City and York contribute at least 10 percent of each locality's share of the revenues generated by the additional one percent sales and use tax in the Historic Triangle Region toward the cooperative planning and construction of a sports facility to be shared by the three localities. This bill would require that each of the localities in the Historic Triangle approve the development of a shared sports facility by July 1, 2021 and notify the Department of Taxation within three working days of each locality's approval of such cooperative development. The bill would also mandate that if the localities do not approve the development of a shared sports facility by July 1, 2021, the additional one percent sales tax will be repealed.

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

Similar Legislation

House Bill 1270 would require that the additional one percent sales and use tax in the Historic Triangle Region enacted by 2018 *Acts of Assembly*, Chapter 850 will expire on July 1, 2026 unless approved in a referendum held and adopted within the City of Williamsburg and the Counties of James City and York.

cc : Secretary of Finance

Date: 1/12/2020 VB
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