

DEPARTMENT OF TAXATION

2020 Fiscal Impact Statement

1. **Patron** Mamie E. Locke

2. **Bill Number** SB 921

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

3. **Committee** Senate Finance and Appropriations

4. **Title** Local Cigarette Tax; Authorize All Counties
to Impose Without Rate Limit

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would permit any county to impose a cigarette tax with no limitation on the cigarette tax rate imposed.

Under current law, cities and towns may impose the tax without limitation on the rate, but only the Counties of Arlington and Fairfax may impose the tax and the amount of their tax may not exceed the amount levied under state law, which is \$0.30 per pack.

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

This bill would have no impact on state administrative costs but could result in administrative costs to counties that adopt a cigarette tax.

Revenue Impact

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

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

All counties

10. **Technical amendment necessary:** No

11. Other comments:

Background

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. All cities and towns with general taxing powers are currently authorized to impose a cigarette tax with no rate limitations. Currently, 119 cities and towns report that they impose the local cigarette tax.

By contrast, only two counties, Arlington and Fairfax, currently 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 permit any county to impose a cigarette tax with no limitation on the cigarette tax rate imposed.

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

Similar Legislation

House Bill 1283 would prohibit any person from selling any tobacco product at retail (i) without first obtaining a permit from the Department of Taxation and (ii) at a location within 1,000 feet of a youth-oriented facility, defined in the bill. The bill prohibits Internet sales of tobacco products, except to a permit-holding retailer, and prohibits the sale of tobacco products from vending machines. The bill imposes civil penalties.

House Bill 1372 would require any person that engages in the retail sale of vapor products to register with the Department of Taxation as a retail dealer.

Senate Bill 484 and **House Bill 785** would equalizes city taxing authority and county taxing authority by granting a county the same authority available to impose excise taxes on cigarettes, admissions, transient room rentals, meals, and travel campgrounds without limitation on the rate that may be imposed.

Senate Bill 588 would equalizes city taxing authority and county taxing authority by granting a county the same authority available to a city through the uniform charter powers.

Senate Bill 852 and **House Bill 1120** would broaden the definition of "tobacco product" to include electronic smoking devices, which are not taxed under current law. It would also provide that tobacco products, defined in the bill, would be subject to increased tax rates and authorize all localities to tax all tobacco products with no restriction on the tax rate.

cc: Secretary of Finance

Date: 1/17/2020 SK
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