DEPARTMENT OF TAXATION
2022 Fiscal Impact Statement

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

2. **Bill Number** SB 37
   House of Origin:
   _____ **Introduced**
   _____ **Substitute**
   _____ **Engrossed**

3. **Committee** House Finance

4. **Title** Additional Retail Sales and Use Tax: Isle of Wight County

   Second House:
   __X__ **In Committee**
   _____ **Substitute**
   _____ **Enrolled**

5. **Summary/Purpose:**

   This bill would add Isle of Wight County to the list of localities authorized to impose by ordinance an additional local sales and use tax at a rate of up to one percent as determined by the local governing body. The additional tax would be required to first be approved by voters at a referendum initiated by a resolution of the local governing body.

   The additional tax would not be levied on food purchased for human consumption or essential personal hygiene products that are taxed at a reduced rate.

   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. 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 the City of Danville and the Counties of Charlotte, Gloucester, Halifax, Henry, Mecklenburg, Northampton, Patrick, and Pittsylvania are authorized to impose this additional sales and use tax.

   If enacted during the regular session of the 2022 General Assembly, this bill would become effective July 1, 2022.

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. Isle of Wight County could incur unknown administrative costs as a result of this bill related to the local referendum and imposition of the tax if approved by voters.

Revenue Impact

This bill would have no impact on state revenues. To the extent that Isle of Wight 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
Isle of Wight County

10. Technical amendment necessary: No

11. Other comments:

Local Sales and Use Tax

Under current law, all cities and counties 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.

Additional Local Sales and Use Tax for School Construction or Renovation

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. The additional tax was required to first be approved by voters at a referendum and initiated by a resolution of the local governing body. Halifax County adopted this additional local sales and use tax at the rate of one percent, effective July 1, 2020.

This tax was in addition to the one percent local sales and use tax authorized under current law. The additional tax was not authorized to be levied on food purchased for human consumption or essential personal hygiene products that are taxed at a reduced rate.

The tax is set to 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.

During the 2020 session of the General Assembly, the City of Danville and the Counties of Charlotte, Gloucester, Halifax, Henry, Mecklenburg, Northampton, Patrick, and

Pittsylvania were authorized to impose an additional one percent sales tax for capital projects for the construction or improvement of schools. Henry County adopted the tax effective April 1, 2021. The Counties of Charlotte, Gloucester, Northampton, and Patrick adopted the additional one percent tax, effective July 1, 2021.

Proposal

This bill would add Isle of Wight County to the list of localities authorized to impose an additional local sales and use tax for capital projects for the construction or improvement of schools.

If enacted during the regular session of the 2022 General Assembly, this bill would become effective July 1, 2022.

Similar Legislation

Senate Bill 298 would add the City of Charlottesville to the list of localities authorized 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.

Senate Bill 472 would authorize any county or city to impose by ordinance an additional local sales and use tax at a rate of up to one percent as determined by the local governing body. The additional tax would be required to first be approved by voters at a referendum initiated by a resolution of the local governing body.

cc : Secretary of Finance

Date: 2/18/2022 VB
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