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HOUSE BILL NO. 2176

Offered January 11, 2023

Prefiled January 11, 2023

A *BILL to amend the Code of Virginia by adding a section numbered 58.1-320.1, relating to individual income tax; distribution of revenues; local school construction.*

Patron—Sickles

Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding a section numbered 58.1-320.1 as follows:

§ 58.1-320.1. Distribution of income tax revenue for school construction purposes.

A. Five percent of all resident income tax revenues shall be distributed to localities to be used solely for capital projects for the construction or renovation of schools in each such locality. For purposes of this section, "resident income tax revenues" means the amount of individual income tax revenues collected pursuant to this article from the residents of a locality.

B. All resident income tax revenues collected by the Tax Commissioner under this section shall be paid into the state treasury to the credit of a special fund that is hereby created on the Comptroller's books for each locality under the name "Collections of Additional Local Income Taxes in ____ (INSERT NAME OF THE LOCALITY)." A separate fund shall be created for each locality.

C. As soon as practicable after the resident income tax revenues have been paid into the state treasury in any month for the preceding month, the Comptroller shall draw his warrant on the State Treasurer in the proper amount in favor of each locality, and such payments shall be charged to the account of the locality under its special fund created by this section. If errors are made in any such payment, or adjustments are otherwise necessary, whether attributable to refunds to taxpayers or to some other fact, the errors shall be corrected and adjustments made in the payments for the next two months as follows: one-half of the total adjustment shall be included in the payment for each of the next two months. In addition, the payment shall include a refund of amounts erroneously not paid to each locality and not previously refunded during the three years preceding the discovery of the error.

D. In the event that any revenues distributed to localities are used for any purpose other than for capital projects for the construction or renovation of schools, the locality shall repay such revenues to the Department of Taxation, and such revenues shall revert to the general fund.

E. 1. Except as provided in subdivision 2, any locality receiving a distribution of resident income tax revenues pursuant to this section shall not reduce the total amount of its annual appropriation for public school purposes, including capital projects for the construction or renovation of schools, below the total amount it appropriated for such purposes for its most recent fiscal year ending prior to July 1, 2023.

2. A locality may reduce its total amount of appropriation below the level required by subdivision 1 if the locality reduces its rate of tax imposed on machinery and tools pursuant to Article 2 (§ 58.1-3507 et seq.) of Chapter 35 below its tax rate during its most recent fiscal year ending prior to July 1, 2023. However, any reduction in such appropriation shall be limited to the amount of revenue lost from the reduction in tax rates on machinery and tools.

INTRODUCED

HB2176