

DEPARTMENT OF TAXATION

2023 Fiscal Impact Statement

1. **Patron** Jennifer L. McClellan

3. **Committee** Senate Finance and Appropriations

4. **Title** Additional local sales and use tax; All localities

2. **Bill Number** SB 1408

House of Origin:

X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would authorize any locality to levy an additional local sales and use tax not to exceed one percent. The revenue from the additional tax must be used to fund construction or renovation of schools.

The bill would also limit the amount that may be appropriated by the Counties of Charlotte, Gloucester, Halifax, Henry, Mecklenburg, Northampton, Patrick, and Pittsylvania to incorporated towns not constituting a separate school district that have not complied with charter provisions relating to elections of its council and mayor to the amount the town would have received from the tax had such election been held.

Under current law, the Counties of Charlotte, Gloucester, Halifax, Henry, Mecklenburg, Northampton, Patrick, and Pittsylvania and the City of Danville are authorized to levy the additional one percent local tax.

If enacted during the regular session of the 2023 General Assembly, this bill would become effective July 1, 2023.

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 or local administrative costs.

Revenue Impact

This bill could have an unknown positive revenue impact to all localities that choose to adopt the tax. In addition, it could impact the allocation of revenues within the Counties of

Charlotte, Gloucester, Halifax, Henry, Mecklenberg, Northampton, Patrick, and Pittsylvania. This bill would have no impact on state revenues.

9. Specific agency or political subdivisions affected:

All localities that choose to exercise the authority granted by the bill.

10. Technical amendment necessary: No.

11. Other comments:

Additional Local Sales and Use Tax to Benefit Schools

Legislation passed during the 2019 and 2020 sessions of the General Assembly authorized the Counties of Charlotte, Gloucester, Halifax, Henry, Mecklenburg, Northampton, Patrick, and Pittsylvania and the City of Danville 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.

Appropriations to Incorporated Towns

A county is required to appropriate to incorporated towns not constituting a separate school district within the county an amount of local sales tax revenues in proportion to that town's population of the county's school aged population, provided that such town has complied with the charter provisions relating to the election of its council and mayor. Where a town has not complied with such charter provisions, current law allows counties to make an appropriation of local sales tax revenues to such town in an amount not to exceed the amount the town would have been entitled to had it complied with its charter provisions. However, current law does not limit the amount that the Counties of Charlotte, Gloucester, Halifax, Henry, Mecklenberg, Northampton, Patrick, and Pittsylvania may appropriate to such towns.

Proposal

This bill would authorize any locality to levy an additional local sales and use tax not to exceed one percent. The revenue from the additional tax must be used to fund construction or renovation of schools.

The bill would also limit the amount that may be appropriated by the Counties of Charlotte, Gloucester, Halifax, Henry, Mecklenberg, Northampton, Patrick, and Pittsylvania to incorporated towns not constituting a separate school district that have not complied with

charter provisions relating to elections of its council and mayor to the amount the town would have received from the tax had such election been held.

If enacted during the regular session of the 2023 General Assembly this bill would become effective July 1, 2023.

Similar Legislation

House Bill 2316 is identical to this bill.

House Bill 1605 would add Prince Edward County to the list of localities authorized to levy an additional local sales and use tax not to exceed one percent.

Senate Bill 1287 would add Albemarle County and the City of Charlottesville to the list of localities authorized to levy an additional local sales and use tax not to exceed one percent.

cc: Secretary of Finance

Date: 1/17/2023 VB
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