

DEPARTMENT OF TAXATION

2024 Fiscal Impact Statement

1. **Patron** Marty Martinez

2. **Bill Number** HB 4

3. **Committee** House Labor and Commerce

House of Origin:

X **Introduced**

 Substitute

 Engrossed

4. **Title** Plastic bag tax; Distribution to towns.

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would require any county in which a disposable bag tax is imposed to distribute a share of the bag tax revenue to any towns situated within such county. The bill would require that the revenue be distributed in accordance with how local sales tax revenues are currently distributed to towns, that is, based on the town's proportionate share of the school age population of the county.

Current law does not require the distribution of county-level disposable plastic bag taxes to towns.

If enacted during the regular session of the 2024 General Assembly, this bill would become effective July 1, 2024.

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

7. **No Fiscal Impact:** (See Line 8.)

8. **Fiscal implications:**

Administrative Costs

This bill could have an unknown impact to local administrative costs but would not impact state costs.

Revenue Impact

This bill would have an unknown impact to revenues in counties that have enacted a plastic bag tax and that also encompass at least one town. The bill would have no impact on state revenues.

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

Counties with an enacted disposable plastic bag tax that also encompass at least one town.

10. Technical amendment necessary: No

11. Other comments:

Disposable Plastic Bag Tax

Localities, by duly adopted ordinance, can impose a tax in the amount of five cents (\$0.05) for each disposable plastic bag provided, whether or not provided free of charge, to a consumer of tangible personal property by retailers in grocery stores, convenience stores, or drugstores.

Such a plastic bag tax cannot apply to:

- Durable plastic bags with handles that are specifically designed and manufactured for multiple reuse and that are at least four mils thick;
- Plastic bags that are solely used to wrap, contain, or package ice cream, meat, fish, poultry, produce, unwrapped bulk food items, or perishable food items in order to avoid damage or contamination;
- Plastic bags used to carry dry cleaning or prescription drugs; and
- Multiple plastic bags sold in packages and intended for use as garbage, pet waste, or leaf removal bags.

All revenue accruing to the county or city from a disposable plastic bag tax must be appropriated for the purposes of environmental cleanup, providing education programs designed to reduce environmental waste, mitigating pollution and litter, or providing reusable bags to recipients of Supplemental Nutrition Assistance Program (SNAP) or Women, Infants, and Children Program (WIC) benefits. The tax is administered by the Department.

Currently, the Plastic Bag Tax is imposed in the Counties of Albemarle, Arlington, Fairfax, and Loudoun, and the Cities of Alexandria, Charlottesville, Fairfax, Falls Church, Fredericksburg, and Roanoke.

Proposal

This bill would require the distribution of county-level disposable plastic bag taxes from the county to their respective incorporated towns according to the local sales tax distribution formula provided by subsections G and H of *Virginia Code* § 58.1-605. As currently codified, the local sales tax distribution formula would distribute from counties to each of their incorporated towns amounts calculated as such:

- For incorporated towns with a special school district and operated as a separate school district under a town school board of three members appointed by the town council, an amount equal to the total disposable plastic bag tag received by the county multiplied by the ratio of the school age population of such town over the school age population of the entire county; or

- For incorporated towns without a separate special school district that are tier-cities or have complied with its charter provisions providing for the election of its council and mayor for a period of at least four years immediately prior to the adoption of the respective disposable plastic bag tax, an amount equal to one-half the total disposable plastic bag tag received by the county multiplied by the ratio of the school age population of such town over the school age population of the entire county.

Distributions received by towns under this bill would be required to be used for the purposes of environmental cleanup, providing education programs designed to reduce environmental waste, mitigating pollution and litter, or providing reusable bags to recipients of Supplemental Nutrition Assistance Program (SNAP) or Women, Infants, and Children Program (WIC) benefits. Distributions would be received by towns at the same time and frequency as local sales tax distributions.

If enacted during the regular session of the 2024 General Assembly, this bill would become effective July 1, 2024.

cc : Secretary of Finance

Date: 1/31/2024 AO
HB4F161