

**DEPARTMENT OF TAXATION  
2024 Fiscal Impact Statement**

1. **Patron** Michael J. Jones

3. **Committee** House Finance

4. **Title** Food and beverage or meals tax; Discount for collection

2. **Bill Number** HB 1535

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

**5. Summary/Purpose:**

This bill would allow any county, city, or town to provide a commission to a business for collecting and remitting to the locality a food and beverage tax or meals tax. The bill would provide that the rate of such commission be set by ordinance and not exceed the amount of tax due.

Under current law, every county is authorized to levy a tax on food and beverages sold for human consumption by a restaurant at a maximum rate of six percent of the amount charged for such food and beverages. In addition, every city or town having general taxing powers is authorized to impose a local meals tax.

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

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

7. **Fiscal Impact Estimates are:** Not available. (See Line 8.)

**8. Fiscal implications:**

Administrative Costs

This bill would have an unknown impact on administrative costs in localities that impose food and beverage tax or meals tax.

The bill would have no impact on state administrative costs.

Revenue Impact

This bill would have an unknown impact on revenues in localities that impose food and beverage tax or meals tax.

This bill would have no impact on state revenues.

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

Department of Taxation  
Localities that impose food and beverage tax or meals tax.

**10. Technical amendment necessary:** No.

**11. Other comments:**

County Food and Beverage Tax

Every county is authorized to levy a tax on food and beverages sold for human consumption, by a restaurant at a maximum rate of six percent of the amount charged for such food and beverages. The tax must not be levied on food and beverages sold: i) through vending machines; or by: ii) boardinghouses that do not accommodate transients; iii) cafeterias operated by industrial plants for employees; iv) volunteer fire departments and rescue squads, and nonprofit churches and organizations on an occasional basis, not exceeding three times per calendar year, as a fundraising activity; v) churches to their members; vi) nonprofit cafeterias in public schools; vii) hospitals, nursing homes, medical clinics, convalescent homes; viii) day care centers; ix) home for the aged, infirm, handicapped, battered women, narcotic addicts, or alcoholics; and x) age restricted apartment complexes. The tax also may not be levied on i) discretionary gratuities; ii) mandatory gratuities and service charges that do not exceed 20% of the sales price; and iii) alcoholic beverages sold in factory sealed containers. The tax does apply to prepared foods ready for human consumption sold at grocery stores and convenience stores.

City Meals Tax

Currently, any city or town having general taxing powers as established by charter may impose a local meals tax through the adoption of an ordinance by the local governing body. The tax does not apply to: 1) discretionary gratuities paid in addition to the sales price of the meal; 2) mandatory gratuities, to the extent they do not exceed 20% of the sales price; 3) food and beverages sold through vending machines; or 4) food and beverages purchased with food coupons or drafts issued through the Virginia Special Supplemental Food Program for Women, Infants, and Children. Similarly, the tax does not apply when food is sold or provided by: 1) restaurants as employee meals, considered compensation; 2) volunteer fire departments and rescue squads; nonprofit churches or other religious bodies; educational, charitable, fraternal, or benevolent organizations, on an occasional basis as a fundraising activity; 3) churches regularly serving meals for their members; 4) public or private elementary, secondary schools, colleges, and universities, to their students or employees; 5) hospitals, medical clinics, convalescent homes, nursing homes, or other extended care facilities to patients or residents; 6) day care centers; 7) homes for the aged, infirm, handicapped, battered women, narcotic addicts, or alcoholics; or 8) age-restricted apartment complexes or residences with restaurants, not open to the public, where meals are served and fees are charged for such food and beverages.

## Proposal

This bill would allow any county, city, or town to provide a commission to a business for collecting and remitting to the locality a food and beverage tax or meals tax. The bill would provide that the rate of such commission be set by ordinance and not exceed the amount of tax due.

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cc : Secretary of Finance

Date: 2/2/2024 KS  
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