

**DEPARTMENT OF TAXATION
2024 Fiscal Impact Statement**

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| <p>1. Patron Jeremy S. McPike</p> <p>3. Committee Passed House and Senate</p> <p>4. Title Additional local sales and use tax</p> | <p>2. Bill Number <u>SB 14</u></p> <p>House of Origin:
<u> </u> Introduced
<u> </u> Substitute
<u> </u> Engrossed</p> <p>Second House:
<u> </u> In Committee
<u> </u> Substitute
<u> X </u> Enrolled</p> |
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5. Summary/Purpose:

This bill would authorize any county or city 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 the construction or renovation of schools, whether such construction or renovation was begun or completed prior to imposition of the tax or not. The bill would also remove the limitation on the amount of funding that the board of supervisors of a county may appropriate to an incorporated town not constituting a separate school district within such county that has not complied with the provisions of its charter relating to the elections of its council and mayor.

The bill would also provide that any county that contains a qualifying town shall pay into the qualifying town's treasury the proper proportionate revenues received by such county from levying the tax in the ratio that the school age population of such town bears to the school age population of the entire county. A qualifying town would be required to use such revenues solely for school capital projects.

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. The board of supervisors of a county may not currently appropriate an amount to an incorporated town not constituting a separate school district that has not complied with its charter provisions an amount that exceeds the amount it would have received from the tax had the election been held. The Counties of Charlotte, Gloucester, Halifax, Henry, Mecklenburg, Northampton, Patrick, and Pittsylvania are not subject to this limitation.

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

Administrative Costs

This bill would have no impact on local administrative costs.

The Department of Taxation considers implementation of this bill to be routine and does not require additional funding.

Revenue Impact

This bill could have an unknown positive revenue impact to any localities that choose to exercise the authority granted by the bill.

This bill would have no impact on state revenues.

9. Specific agency or political subdivisions affected:

All localities.

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 is in addition to the one percent general local sales and use tax authorized under current law. The additional tax must first be approved by voters at a referendum and initiated by a resolution of the local governing body. Further, the tax expires 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 cannot 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, Mecklenburg, Northampton, Patrick, and Pittsylvania may appropriate to such towns.

Proposal

This bill would authorize any county or city 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 the construction or renovation of schools, whether such construction or renovation was begun or completed prior to imposition of the tax or not. The bill would also remove the limitation on the amount of funding that the board of supervisors of a county may appropriate to an incorporated town not constituting a separate school district within such county that has not complied with the provisions of its charter relating to the elections of its council and mayor.

The bill would also provide that any county that contains a qualifying town shall pay into the qualifying town's treasury the proper proportionate revenues received by such county from levying the tax in the ratio that the school age population of such town bears to the school age population of the entire county. A qualifying town would be required to use such revenues solely for school capital projects.

The bill would define "qualifying town" as any incorporated town constituting and operating a special school district separate from the school district operated by the county within which such incorporated town lies.

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

Similar Legislation

House Bill 805 is identical to this bill.

cc : Secretary of Finance

Date: 3/14/2024 VB
SB14FER161