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**HOUSE BILL NO. 75**

Offered January 12, 2022

Prefiled January 4, 2022

*A BILL to amend and reenact §§ 58.1-3819, 58.1-3833, and 58.1-3840 of the Code of Virginia, relating to local taxing authority.*

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 Patron—Ware
 

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 Referred to Committee on Finance
 

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**Be it enacted by the General Assembly of Virginia:**

**1. That §§ 58.1-3819, 58.1-3833, and 58.1-3840 of the Code of Virginia are amended and reenacted as follows:**

**§ 58.1-3819. Transient occupancy tax.**

A. 1. Any county, by duly adopted ordinance, may levy a transient occupancy tax on hotels, motels, boarding houses, travel campgrounds, and other facilities offering guest rooms rented out for continuous occupancy for fewer than 30 consecutive days. The tax shall be imposed on the total price paid by the customer for the use or possession of the room or space occupied in a retail sale. Such tax shall be in such amount and on such terms as the governing body may, by ordinance, prescribe.

2. Unless otherwise provided in this article, any county that imposes a transient occupancy tax at a rate greater than two percent shall, by ordinance, provide that ~~(i) any excess from a rate over two percent shall be designated and spent solely for such purpose as was authorized under this article prior to January 1, 2020; or (ii) if clause (i) is inapplicable any excess from a rate over two percent but not exceeding five percent shall be designated and spent solely for tourism and travel, marketing of tourism or initiatives that, as determined after consultation with the local tourism industry organizations, including representatives of lodging properties located in the county, attract travelers to the locality, increase occupancy at lodging properties, and generate tourism revenues in the locality. Unless otherwise provided in this article, for any county that imposes a transient occupancy tax pursuant to this section or an additional transient occupancy tax pursuant to another provision of this article, any excess over five percent, combining the rates of all taxes imposed pursuant to this article, shall not be restricted in its use and may be spent in the same manner as general revenues no county shall impose a tax pursuant to this section at a rate that exceeds five percent.~~ If any locality has enacted an additional transient occupancy tax pursuant to subsection C of § 58.1-3823, then the governing body of the locality shall be deemed to have complied with the requirement that it consult with local tourism industry organizations, including lodging properties. If there are no local tourism industry organizations in the locality, the governing body shall hold a public hearing prior to making any determination relating to how to attract travelers to the locality and generate tourism revenues in the locality.

B. The tax imposed hereunder shall not apply to rooms or spaces rented and continuously occupied by the same individual or same group of individuals for 30 or more days in hotels, motels, boarding houses, travel campgrounds, and other facilities offering guest rooms. In addition, that portion of any tax imposed hereunder in excess of two percent shall not apply to travel campgrounds in Stafford County.

C. Nothing herein contained shall affect any authority heretofore granted to any county, city or town to levy such a transient occupancy tax. The county tax limitations imposed pursuant to § 58.1-3711 shall apply to any tax levied under this section, mutatis mutandis.

D. Any county, city or town that requires local hotel and motel businesses, or any class thereof, to collect, account for and remit to such locality a local tax imposed on the consumer may allow such businesses a commission for such service in the form of a deduction from the tax remitted. Such commission shall be provided for by ordinance, which shall set the rate thereof at no less than three percent and not to exceed five percent of the amount of tax due and accounted for. No commission shall be allowed if the amount due was delinquent.

E. All transient occupancy tax collections shall be deemed to be held in trust for the county, city or town imposing the tax.

**§ 58.1-3833. County food and beverage tax.**

A. 1. Any county is hereby authorized to levy a tax on food and beverages sold, for human consumption, by a restaurant, as such term is defined in § 35.1-1, not to exceed ~~six~~ two percent of the amount charged for such food and beverages. Such tax shall not be levied on food and beverages sold through vending machines or by (i) boardinghouses that do not accommodate transients; (ii) cafeterias operated by industrial plants for employees only; (iii) restaurants to their employees as part of their compensation when no charge is made to the employee; (iv) volunteer fire departments and volunteer

59 emergency medical services agencies; nonprofit churches or other religious bodies; or educational,  
60 charitable, fraternal, or benevolent organizations the first three times per calendar year and, beginning  
61 with the fourth time, on the first \$100,000 of gross receipts per calendar year from sales of food and  
62 beverages (excluding gross receipts from the first three times), as a fundraising activity, the gross  
63 proceeds of which are to be used by such church, religious body or organization exclusively for  
64 nonprofit educational, charitable, benevolent, or religious purposes; (v) churches that serve meals for  
65 their members as a regular part of their religious observances; (vi) public or private elementary or  
66 secondary schools or institutions of higher education to their students or employees; (vii) hospitals,  
67 medical clinics, convalescent homes, nursing homes, or other extended care facilities to patients or  
68 residents thereof; (viii) day care centers; (ix) homes for the aged, infirm, handicapped, battered women,  
69 narcotic addicts, or alcoholics; (x) age-restricted apartment complexes or residences with restaurants, not  
70 open to the public, where meals are served and fees are charged for such food and beverages and are  
71 included in rental fees; or (xi) sellers at local farmers markets and roadside stands, when such sellers'  
72 annual income from such sales does not exceed \$2,500. For the exemption described in clause (xi), the  
73 sellers' annual income shall include income from sales at all local farmers markets and roadside stands,  
74 not just those sales occurring in the locality imposing the tax. Also, the tax shall not be levied on food  
75 and beverages: (a) when used or consumed and paid for by the Commonwealth, any political subdivision  
76 of the Commonwealth, or the United States; (b) provided by a public or private nonprofit charitable  
77 organization or establishment to elderly, infirm, blind, handicapped, or needy persons in their homes, or  
78 at central locations; or (c) provided by private establishments that contract with the appropriate agency  
79 of the Commonwealth to offer food, food products, or beverages for immediate consumption at  
80 concession prices to elderly, infirm, blind, handicapped, or needy persons in their homes or at central  
81 locations.

82 2. Grocery stores and convenience stores selling prepared foods ready for human consumption at a  
83 delicatessen counter shall be subject to the tax, for that portion of the grocery store or convenience store  
84 selling such items.

85 The term "beverage" as set forth herein shall mean alcoholic beverages as defined in § 4.1-100 and  
86 nonalcoholic beverages served as part of a meal. The tax shall be in addition to the sales tax currently  
87 imposed by the county pursuant to the authority of Chapter 6 (§ 58.1-600 et seq.). Collection of such tax  
88 shall be in a manner prescribed by the governing body.

89 3. *Any county may exceed the maximum tax rate provided in subsection A by up to two percent.*  
90 *However, the additional tax authorized by this subsection shall be levied only if the tax is approved in a*  
91 *referendum within the county, which shall be held in accordance with § 24.2-684 and initiated either by*  
92 *a resolution of the board of supervisors or on the filing of a petition signed by a number of registered*  
93 *voters of the county equal in number to 10 percent of the number of voters registered in the county, as*  
94 *appropriate on January 1 of the year in which the petition is filed with the court of such county.*  
95 *However, no referendum initiated by a resolution of the board of supervisors shall be authorized in a*  
96 *county in the three calendar years subsequent to the electoral defeat of any referendum held pursuant to*  
97 *this section in such county. The clerk of the circuit court shall publish notice of the election in a*  
98 *newspaper of general circulation in the county once a week for three consecutive weeks prior to the*  
99 *election. If the voters affirm the additional meals tax levy, the tax shall be effective in an amount and on*  
100 *such terms as the governing body may by ordinance prescribe. If such resolution of the board of*  
101 *supervisors or such petition states for what projects or purposes the revenues collected from the tax are*  
102 *to be used, then the question on the ballot for the referendum shall include language stating for what*  
103 *projects or purposes the revenues collected from the tax are to be used.*

104 4. *Any referendum held for the purpose of increasing the county food and beverage tax pursuant to*  
105 *this section shall, in the language of the ballot question presented to voters, contain the following text in*  
106 *a paragraph unto itself: "If this additional food and beverage tax is adopted and a maximum tax rate of*  
107 *four percent is imposed, then the total tax imposed on all prepared food and beverage shall be ..."*  
108 *followed by the total, expressed as a percentage, of all existing ad valorem taxes applicable to the*  
109 *transaction added to the total county food and beverage tax that would be imposed by this section if*  
110 *approved by the referendum. In the event that the maximum tax rate that would be imposed is less than*  
111 *four percent, the ballot language shall be adjusted accordingly.*

112 5. *Notwithstanding any other provision of this section, if a county that has not imposed a county*  
113 *food and beverage tax adopts an ordinance or resolution pursuant to subdivision 1 of § 15.2-2607*  
114 *providing for the payment of the principal and premium, if any, and interest on bonds issued in*  
115 *accordance with the Public Finance Act (§ 15.2-2600 et seq.) from revenue collected from a county food*  
116 *and beverage tax, then the ballot may provide, as a single question:*

117 a. *The purpose or purposes of the bonds to be issued;*

118 b. *The estimated maximum amount of such bonds proposed in the notice required in subsection A of*  
119 *§ 15.2-2606;*

120 c. *The request for approval by the voters of a county food and beverage tax authorized and levied in*

accordance with subdivision 3;

*d. The language required to be included in the ballot question as set forth in subdivision 4; and*

*e. An explanation that the bonds shall be issued only if the county food and beverage tax is approved in the referendum.*

*Any referendum placed on the ballot pursuant to this subdivision 5 shall be submitted according to the procedures specified in § 24.2-684.*

B. Nothing herein contained shall affect any authority heretofore granted to any county, city, or town to levy a meals tax. The county tax limitations imposed pursuant to § 58.1-3711 shall apply to any tax levied under this section, mutatis mutandis. All food and beverage tax collections and all meals tax collections shall be deemed to be held in trust for the county, city, or town imposing the applicable tax. The wrongful and fraudulent use of such collections other than remittance of the same as provided by law shall constitute embezzlement pursuant to § 18.2-111.

C. Notwithstanding any other provision of this section, no locality shall levy any tax under this section upon (i) that portion of the amount paid by the purchaser as a discretionary gratuity in addition to the sales price; (ii) that portion of the amount paid by the purchaser as a mandatory gratuity or service charge added by the restaurant in addition to the sales price, but only to the extent that such mandatory gratuity or service charge does not exceed 20 percent of the sales price; or (iii) alcoholic beverages sold in factory sealed containers and purchased for off-premises consumption or food purchased for human consumption as "food" is defined in the Food Stamp Act of 1977, 7 U.S.C. § 2012, as amended, and federal regulations adopted pursuant to that act, except for the following items: sandwiches, salad bar items sold from a salad bar, prepackaged single-serving salads consisting primarily of an assortment of vegetables, and nonfactory sealed beverages.

**§ 58.1-3840. Certain excise taxes permitted.**

A. The provisions of Chapter 6 (§ 58.1-600 et seq.) to the contrary notwithstanding, any city or town having general taxing powers established by charter pursuant to or consistent with the provisions of § 15.2-1104 and, to the extent authorized in this chapter, any county may impose excise taxes on cigarettes, admissions, transient room rentals, meals, and travel campgrounds. No such taxes on meals may be imposed on (i) that portion of the amount paid by the purchaser as a discretionary gratuity in addition to the sales price of the meal; (ii) that portion of the amount paid by the purchaser as a mandatory gratuity or service charge added by the restaurant in addition to the sales price of the meal, but only to the extent that such mandatory gratuity or service charge does not exceed 20 percent of the sales price; or (iii) food and beverages sold through vending machines or on any tangible personal property purchased with food coupons issued by the United States Department of Agriculture under the Food Stamp Program or drafts issued through the Virginia Special Supplemental Food Program for Women, Infants, and Children. No such taxes on meals may be imposed when sold or provided by (a) restaurants, as such term is defined in § 35.1-1, to their employees as part of their compensation when no charge is made to the employee; (b) volunteer fire departments and volunteer emergency medical services agencies; nonprofit churches or other religious bodies; or educational, charitable, fraternal, or benevolent organizations, the first three times per calendar year and, beginning with the fourth time, on the first \$100,000 of gross receipts per calendar year from sales of meals (excluding gross receipts from the first three times), as a fundraising activity, the gross proceeds of which are to be used by such church, religious body or organization exclusively for nonprofit educational, charitable, benevolent, or religious purposes; (c) churches that serve meals for their members as a regular part of their religious observances; (d) public or private elementary or secondary schools or institutions of higher education to their students or employees; (e) hospitals, medical clinics, convalescent homes, nursing homes, or other extended care facilities to patients or residents thereof; (f) day care centers; (g) homes for the aged, infirm, handicapped, battered women, narcotic addicts, or alcoholics; (h) 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 and are included in rental fees; or (i) sellers at local farmers markets and roadside stands, when such sellers' annual income from such sales does not exceed \$2,500. For the exemption described in clause (i), the sellers' annual income shall include income from sales at all local farmers markets and roadside stands, not just those sales occurring in the locality imposing the tax.

Also, the tax shall not be levied on meals: (1) when used or consumed and paid for by the Commonwealth, any political subdivision of the Commonwealth, or the United States; (2) provided by a public or private nonprofit charitable organization or establishment to elderly, infirm, blind, handicapped, or needy persons in their homes, or at central locations; or (3) provided by private establishments that contract with the appropriate agency of the Commonwealth to offer food, food products, or beverages for immediate consumption at concession prices to elderly, infirm, blind, handicapped, or needy persons in their homes or at central locations.

In addition, as set forth in § 51.5-98, no blind person operating a vending stand or other business

182 enterprise under the jurisdiction of the Department for the Blind and Vision Impaired and located on  
183 property acquired and used by the United States for any military or naval purpose shall be required to  
184 collect and remit meals taxes.

185 B. Notwithstanding any other provision of this section, no city or town shall levy any tax under this  
186 section upon alcoholic beverages sold in factory sealed containers and purchased for off-premises  
187 consumption or food purchased for human consumption as "food" is defined in the Food Stamp Act of  
188 1977, 7 U.S.C. § 2012, as amended, and federal regulations adopted pursuant to that act, except for the  
189 following items: sandwiches, salad bar items sold from a salad bar, prepackaged single-serving salads  
190 consisting primarily of an assortment of vegetables, and nonfactory sealed beverages.

191 C. Any city or town that is authorized to levy a tax on admissions may levy the tax on admissions  
192 paid for any event held at facilities that are not owned by the city or town at a lower rate than the rate  
193 levied on admissions paid for any event held at its city- or town-owned civic centers, stadiums, and  
194 amphitheaters.

195 D. [Expired.]