

DEPARTMENT OF TAXATION

2022 Fiscal Impact Statement

1. **Patron** Joseph P. McNamara

3. **Committee** House Finance

4. **Title** Local Cigarette Tax; Unsold Inventory

2. **Bill Number** HB 1076

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would require any locality that increases its cigarette tax rate to allow, for one calendar year after the increase, a person with unsold inventory to pay the tax increase on the unsold inventory by filing a return, rather than requiring the use of a stamp or meter impression. The return must identify the amount of unsold inventory, the amount of tax paid on such unsold inventory, and the amount of tax due as a result of the tax rate increase. The return will be due six calendar months after the effective date of the tax rate increase. The bill also imposes the same requirement on regional cigarette tax boards.

Under current law, any locality that imposes a local cigarette tax may provide for the use of a tax stamp or meter impression as evidence of payment of the tax or other method or system of reporting payment and collection of such tax.

If enacted during the regular session of the 2022 General Assembly, this bill would become effective July 1, 2022.

6. **Budget amendment necessary:** No

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

8. **Fiscal implications:**

Administrative Costs

This bill could result in unknown administrative costs to localities that impose a cigarette tax based on the new tax return option. It would have no impact on state administrative costs.

Revenue Impact

This bill would have no revenue impact on localities that impose a local cigarette tax. It would also have no impact on state revenues.

9. Specific agency or political subdivisions affected:

Localities that impose a local cigarette tax

10. Technical amendment necessary: No

11. Other comments:

Current Law

Under current law, any locality that imposes a local cigarette tax may provide for the use of a tax stamp or meter impression as evidence of payment of the tax or other method or system of reporting payment and collection of the tax. Such stamp or meter impression required to be used to evidence payment of the tax must be of the same stamp technology that is used or required by the Commonwealth. Localities are also required to refund, without penalties or additional fees, the purchase price of any unused tax stamps purchased by a stamping agent, upon verification by the county, city, or town imposing the tax that the stamps have been returned to such county, city, or town.

Any county, city, or town may enact an ordinance that delegates its administrative and enforcement authority to one agency or authority. The *Virginia Code* defines a “regional cigarette tax board” as a board established by a group of at least six member localities, with the purpose of administering local cigarette taxes on a regional basis.

Proposal

This bill would require any locality that increases its cigarette tax rate to allow, for one calendar year after the increase, a person with unsold inventory to pay the tax increase on the unsold inventory by filing a return, rather than requiring the use of a stamp or meter impression. The return must identify the amount of unsold inventory, the amount of tax paid on such unsold inventory, and the amount of tax due as a result of the tax rate increase. The return will be due six calendar months after the effective date of the tax rate increase. The bill also imposes the same requirement on regional cigarette tax boards.

If enacted during the regular session of the 2022 General Assembly, this bill would become effective July 1, 2022.

Similar Legislation

Senate Bill 25 would require any locality that increases its cigarette tax rate to allow, for one calendar year after the increase, a person with unsold inventory to pay the tax increase on the unsold inventory by filing a return, rather than requiring the use of a stamp or meter impression. The bill also imposes the same requirement on regional cigarette tax boards.

cc : Secretary of Finance

Date: 1/27/2022 SK
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