

**DEPARTMENT OF TAXATION
2022 Fiscal Impact Statement**

1. **Patron** Thomas K. Norment, Jr.
3. **Committee** Senate Finance and Appropriations
4. **Title** Retail Sales and Use Tax; Historic Triangle
Regional Tax; Dedication of funds

2. **Bill Number** SB 438
House of Origin:
 X **Introduced**
 Substitute
 Engrossed
- Second House:**
 In Committee
 Substitute
 Enrolled

5. Summary/Purpose:

This bill would require the City of Williamsburg, James City County, and York County to make specified minimum appropriations to entities promoting tourism and recreation in the Historic Triangle. The bill would also establish the Williamsburg Tourism Council ("the Council") as an advisory board in the legislative branch of state government.

Under current law, the City of Williamsburg, James City County, and York County receive distributions from the additional one percent sales tax in the Historic Triangle region.

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 have an unknown impact on administrative costs in the City of Williamsburg, James City County, and York County. This bill would have no impact on state administrative costs.

Revenue Impact

This bill could have a negative impact on revenues in the City of Williamsburg, James City County, and York County to the extent that the minimum allocations for tourism promotion required by each locality exceed the amounts currently allocated by each locality. The bill would require allocations of at least (i) \$800,000 from the City of Williamsburg, (ii) \$740,000 from James City County, and (iii) \$438,600 from York County, to be distributed (i) \$126,600 to the Council, (ii) \$402,000 to the Greater Williamsburg Chamber of

Commerce, and (iii) \$1.45 million to the Historic Triangle Recreational Facilities Authority. This bill would have no impact on state revenues.

9. Specific agency or political subdivisions affected:

York County
James City County
City of Williamsburg
Williamsburg Tourism Council

10. Technical amendment necessary: No.

11. Other comments:

Background

Chapter 850 of the 2018 *Acts of Assembly* established an additional one percent sales and use tax to be levied in the three localities that comprise the Historic Triangle Region, the City of Williamsburg and the Counties of James City and York. The new tax brought the total tax rate in that region to 7 percent, comprised of the 4.3% state rate, 0.7% regional transportation district rate for localities within Hampton Roads, 1% local option rate, and 1% additional Historic Triangle regional rate. The additional tax is not levied on food purchased for human consumption or essential personal hygiene products.

Half of the revenue from the additional tax is distributed to the Historic Triangle Marketing Fund and the other half of the revenue is allocated to the Collections of Historic Triangle Sales Tax Fund ("CHTSTF") to be distributed to the locality in which the tax was collected. The 2018 law change required that revenues received by a locality from the CHTSTF not to be used to reduce the amount of other revenues appropriated by such locality to or for use by the Greater Williamsburg Chamber and Tourism Alliance below the amount provided for Fiscal Year 2018.

Proposal

This bill would require the City of Williamsburg, James City County, and York County to make specified minimum appropriations to entities promoting tourism and recreation in the Historic Triangle. The bill would also establish the Council as an advisory board in the legislative branch of state government and remove the Chief Executive Officer of the Virginia Tourism Alliance from the membership of the Council, and replace him with the Chair of the Greater Williamsburg Chamber of Commerce.

Specifically, instead of referencing Fiscal Year 2018 funding as provided under current law, this bill would require the localities not to reduce funding dedicated to regional tourism promotion and product development by requiring each locality to make the following annual minimum revenue allocations: (i) \$800,000 from the City of Williamsburg, (ii) \$740,000 from James City County, and (iii) \$438,600 from York County. These allocated funds would be distributed (i) \$126,600 to the Council, (ii) \$402,000 to the Greater Williamsburg Chamber of Commerce, and (iii) \$1.45 million to the Historic Triangle Recreational Facilities Authority.

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

cc : Secretary of Finance

Date: 1/20/2022 VB
SB438F161