

**DEPARTMENT OF TAXATION  
2025 Fiscal Impact Statement**

- 1. **Patron** Jeremy S. McPike
- 3. **Committee** Senate Finance and Appropriations
- 4. **Title** Additional local sales and use tax to support schools; Referendum

- 2. **Bill Number** SB 1307  
**House of Origin:**  
  X   **Introduced**  
      **Substitute**  
      **Engrossed**  
  
**Second House:**  
      **In Committee**  
      **Substitute**  
      **Enrolled**

**5. Summary/Purpose:**

This bill would authorize all counties and cities to, by ordinance, levy an additional local sales and use tax at a rate not to exceed one percent. The bill would exclude from this authority any locality (i) where the combined rate of state and local retail sales and use taxes exceeds eight percent or (ii) that imposes a meals tax or tax on the sale of food and beverages. The bill also removes the requirement that such tax have an expiration date on either (i) the date of the repayment of any bonds or loans used for such capital projects or (ii) a date chosen by the governing body, but in no case more than 20 years after the date of the approval of the referendum authorizing such tax.

The bill would also clarify that revenue from the tax may be used only for capital projects and debt service of such capital projects related to school construction, addition, renovation, retrofitting, infrastructure, or site acquisition. The bill would also remove the limitation on the amount that a county may appropriate to an incorporated town not constituting a separate school district within the county that fails to comply with provisions of its charter relating to the elections of its council and mayor.

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 revenues from the tax may be used only for new construction or major renovation of schools, including bond and loan financing costs related to such construction or renovation. The local ordinance levying the tax may not have an expiration date more than 20 years after the date of approval of the referendum authorizing the tax.

Counties may not currently appropriate an amount to incorporated towns not constituting a separate school district that fails to comply with its charter provisions relating to elections that would exceed the amount the town would have received from the tax had it complied with the charter provisions. The Counties of Charlotte, Gloucester, Halifax, Henry, Mecklenburg, Northampton, Patrick, and Pittsylvania are not subject to this limitation on appropriation.

If enacted during the regular session of the 2025 General Assembly, this bill would become effective July 1, 2025.

**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 choose to exercise the authority granted in the bill.

This bill would have no impact on state costs.

Revenue Impact

This bill would have an unknown impact on revenues in localities that choose to exercise the authority granted in the bill.

This bill would have no impact on state revenue.

**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.

The revenues from the tax may be used only for new construction or major renovation of schools, including bond and loan financing costs related to such construction or renovation.

### 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 all counties and cities to, by ordinance, levy an additional local sales and use tax at a rate not to exceed one percent, with the revenue from the tax going solely towards capital projects for schools serving such county or city and debt service of such project. The bill would define "capital projects" as construction, additions, renovations, including retrofitting and enlarging public school buildings, infrastructure, including technology infrastructure, and site acquisition for public school buildings and facilities.

The bill would exclude from this authority any locality (i) where the combined rate of state and local retail sales and use taxes exceeds eight percent or (ii) that imposes a meals tax or tax on the sale of food and beverages. The bill also removes the current requirement that such tax have an expiration date on either (i) the date of the repayment of any bonds or loans used for such capital projects or (ii) a date chosen by the governing body, but in no case more than 20 years after the date of the approval of the referendum authorizing such tax.

The bill would also require any county that contains a qualifying town to pay into the qualifying town's treasury, monthly, 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. The bill would impose the same restrictions on the town's use of the revenues as apply to counties and cities.

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 2025 General Assembly, this bill would become effective July 1, 2025.

### Similar Legislation

**House Bill 2487** would authorize Gloucester County to, by ordinance, utilize the revenues from its additional local sales and use tax for the repayment of existing indebtedness incurred from capital projects for new construction or major renovation of schools that were begun or completed prior to the imposition of such tax, regardless of whether such use of funds was described in the referendum authorizing such tax.

**Senate Bill 874** would add Pulaski County to the list of qualifying localities that may, by ordinance, levy an additional local sales and use tax of up to one percent for the construction or renovation of schools. The bill would also remove the limitation on the amount that Pulaski County may appropriate to an incorporated town not constituting a separate school district within the county that fails to comply with provisions of its charter relating to the elections of its council and mayor.

cc : Secretary of Finance

Date: 01/14/2025 VB  
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