

DEPARTMENT OF TAXATION

2026 Fiscal Impact Statement

1. **Patron** Sam Rasoul

3. **Committee** House Finance

4. **Title** Additional local sales and use tax to support schools; Referendum

2. **Bill Number** HB 334

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 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. The bill would also remove the limitations on the duration of the tax and allow use of revenue therefrom to pay for repayment of existing indebtedness for public school projects begun or completed prior to imposition of the tax.

The bill would also require any county that contains any qualified town, defined as any incorporated town constituting and operating a special school district separate from the school district operated by the county, to distribute to the town 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. Such funds must be used solely for public school capital projects.

Under current law, only Charlotte, Gloucester, Halifax, Henry, Mecklenburg, Northampton, Patrick, and Pittsylvania Counties and the City of Danville are authorized to impose such a 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 tax must expire upon the earlier of either (i) the date upon which bonds or loans are repaid if the project is financed by bonds or loans, or (ii) 20 years after the date of the local resolution.

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 2026 General Assembly, this bill would become effective July 1, 2026.

6. Budget amendment necessary: No.

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

8. Fiscal implications:

Administrative Costs

This bill may have an unknown impact on local administrative costs in localities that choose to exercise the authority granted by the bill.

The Department of Taxation ("the Department") considers this bill as routine, and does not require additional funding.

This legislation does not require significant changes to the Department's systems and is not impacted by the first phase of the Integrated Revenue Management System (IRMS) replacement project. No resource constraints or implementation considerations are anticipated.

Revenue Impact

This bill may have an unknown revenue impact on 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 counties and cities

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. The bill would also remove the limitations on the duration of the tax and allow use of revenue therefrom to pay for repayment of existing indebtedness for public school projects begun or completed prior to imposition of the tax.

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. The bill would also require any county that contains any incorporated town constituting a special school district to distribute to the town 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. Such funds must be used solely for public school capital projects.

The bill would also clarify that revenues from this tax may be used (i) for repayment of existing indebtedness authorized by referendum for public school capital projects that began or were completed prior to the imposition of such tax or (ii) to finance public school capital projects after the imposition of such tax. The bill would also require that the tax be collected and distributed separately from any general retail sales tax.

The bill would also allow any locality that has imposed the tax prior to June 30, 2026 to extend the tax beyond the existing expiration date by resolution following a successful referendum.

The bill would define “public school capital projects” as construction and major renovation of public school buildings and facilities, including building new or enlarging existing buildings, restoring structural integrity, retrofitting or upgrading operational infrastructure, and site acquisition.

If enacted during the regular session of the 2026 General Assembly this bill would become effective July 1, 2026.

Similar Legislation

Senate Bill 66 is substantively identical to this bill.

House Bill 1156 would authorize all localities to, by ordinance, levy an additional local sales and use tax at a rate not to exceed one percent. It would also remove the limitations on the duration of the tax and allow use of revenue therefrom to pay for repayment of existing indebtedness for public school projects begun or completed prior to imposition of the tax.

cc : Secretary of Finance

Date: 01/19/2026 VB
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