

# DEPARTMENT OF TAXATION

## 2026 Fiscal Impact Statement

1. **Patron** Russet Perry

3. **Committee** Senate Commerce and Labor

4. **Title** Local Consumer Utility Tax; levy on utility customers by ordinance

2. **Bill Number** SB 651

**House of Origin:**

X **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

### 5. **Summary/Purpose:**

This impact statement is limited to discussion of taxes administered by the Department of Taxation ("the Department").

The bill would allow qualifying localities to impose an additional monthly tax on electric utility customers only if the locality enters into an undergrounding agreement with an electric utility at a rate that: (i) does not exceed \$1 per month for residential customers; (ii) does not exceed \$10 per month for nonresidential customers, and (iii) is fixed at any amount on nonresidential customers that are major commercial energy consumers.

Under current law, localities may impose a consumer utility tax on electric utility consumers at a rate not greater than 20 percent of the monthly charge, and the tax is not applicable to any amount charged in excess of \$15 per month for residential customers. This tax is effectively capped at \$3 a month for residential customers and no ceiling for commercial or industrial customers.

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 could result in unknown administrative costs on localities that exercise the authority granted by the bill to impose an additional monthly tax on electric utility customers. It would have no impact on state administrative costs.

## Revenue Impact

This bill may result in an unknown positive revenue impact on localities that exercise the authority granted by the bill to impose an additional monthly tax on electric utility customers.

The bill would have no impact on state revenues.

### **9. Specific agency or political subdivisions affected:**

All localities

### **10. Technical amendment necessary: No.**

### **11. Other comments:**

#### Background

Virginia Code § 58.1-3814 authorizes any county, city, or town to impose a consumer utility tax on consumers of utility services provided by water or heat, light and power companies or other public service corporations. Consumers of these utility services may not be taxed at a rate in excess of 20 percent of the monthly charge, and the tax is not applicable to any amount charged in excess of \$15 per month for residential customers. Thus, the consumer utility tax on residential customers is effectively capped at \$3 a month. There is no ceiling on the local consumer utility tax for commercial and industrial customers. Any locality that had a higher rate of taxation in effect before July 1, 1972 is allowed to continue imposing the local consumer utility tax at that rate. Currently, utility sales of products used as motor vehicle fuels are exempt from the consumer utility tax.

#### Proposal

The bill would allow qualifying localities to impose an additional monthly tax on electric utility customers only if the locality enters into an undergrounding agreement with an electric utility at a rate that: (i) does not exceed \$1 per month for residential customers; (ii) does not exceed \$10 per month for nonresidential customers, and (iii) is fixed at any amount on nonresidential customers that are major commercial energy consumers.

“Qualifying localities” means any county that (i) (a) is in Planning District 8 with a population greater than 435,000 and (b) does not operate under the county executive form of government or the urban county executive form of government, or (ii) is in Planning District 9 with a population greater than 74,000.

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

cc : Secretary of Finance

Date: 01/31/2026 KS  
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