



Overview of County Taxing Authority

Board of Supervisors Budget Committee Meeting

March 16, 2021

2020 General Assembly Actions

- Legislation providing long-sought additional taxing authority for counties received approval in April 2020
- Provides important revenue diversification options for counties
- Increases the Meals Tax rate that all counties could impose from a rate not to exceed 4% to a rate not to exceed 6% and eliminates the referendum requirement, effective July 1, 2020
 - A locality in which a meals tax referendum failed prior to July 1, 2020 would have to wait 6 years after the date of the failed referendum to impose the tax
- Authorizes all counties to levy a Transient Occupancy Tax at rates exceeding 2%, with the revenue derived from rates greater than 2% spent either (1) for purposes previously authorized or (2) for rates between 2 and 5%, for tourism promotion, effective May 1, 2021
 - Revenue from rates greater than 5% may be used for general purposes
- Authorizes all counties to impose a Cigarette Tax at a rate not to exceed 40 cents per pack of 20 cigarettes, effective July 1, 2021
 - Cities and towns with rates higher than 40 cents per pack would be grandfathered at the rates in effect as of January 1, 2020
- Authorizes all counties to levy an Admissions Tax at a rate not to exceed 10%, except for certain counties where an additional state sales and use tax is imposed (currently this provision applies to counties in the Historic Triangle), effective July 1, 2020

Taxes Not Currently Levied

Revenue Category	Information	Action Required	Rate Limitations	Potential Revenue
Meals Tax	A meals tax referendum failed in Fairfax County in November 2016. Consequently, a meals tax cannot be imposed until FY 2024, assuming a July 1 implementation	Public hearing, approval by the Board of Supervisors and ordinance change	Not to exceed 6%	1%=\$25.0 million <i>Estimate not updated for impact of COVID-19</i>
Admissions Tax	The ordinance may classify between events conducted for charitable purposes and events conducted for noncharitable purposes	Public hearing, approval by the Board of Supervisors and ordinance change	Not to exceed 10% of admission price	1%=\$0.8 million <i>Estimate not updated for impact of COVID-19</i>
Probate Tax	All localities may levy a probate tax on wills at one-third the state rate which is currently 10 cents per \$100 on estates valued greater than \$15,000. Arlington, Loudoun, and Falls Church levy this tax	Public hearing, approval by the Board of Supervisors and ordinance change	\$0.033 per \$100 of estates valued at greater than \$15,000	\$0.3 million

Current Taxes with Rate Flexibility

Revenue Category (FY 2021 Revenue Estimate)	Information	Action Required	Rate Limitations	Potential Revenue
Real Estate Tax (\$2,992.0 million at the current tax rate of \$1.15/\$100 of assessed value)	As with all localities in Virginia, the Real Estate tax is the County's primary source of revenue. The tax applies to land and buildings.	Public hearing, approval by the Board of Supervisors	There is no restriction on the tax rate that may be imposed	1 real estate penny = \$27.1 million (FY 2022)
Personal Property Tax (\$622.2 million at the current tax rate of \$4.57/\$100 of assessed value)	All localities in Virginia may levy a tax on personal property owned by businesses and individuals including motor vehicles, business furniture, fixtures and computers.	Public hearing, approval by the Board of Supervisors	There is no restriction on the tax rate that may be imposed	1 cent on the personal property tax rate= \$1.3 million (FY 2022)

Current Taxes with Rate Flexibility

Revenue Category (FY 2021 Revenue Estimate)	Information	Action Required	Rate Limitations	Potential Revenue
BPOL - Business, Professional, Occupational Licenses (\$154.9 million)	BPOL is currently levied on the gross receipts of businesses in the County. Rates vary by business category. County rates are below the state maximums allowed except for one category.	Public hearing, approval by the Board of Supervisors and ordinance change	State maximum rates by business category	1 cent increase in all rates that are below the state max=\$8.4 million At state maximum rates=\$86 million (Based on FY 2020 actual receipts)
Cigarette Tax (\$5.0 million at the current tax rate of 30 cents per pack)	Fairfax and Arlington were the only counties in Virginia with authority to levy a cigarette tax prior to the new legislation approved in April 2020	Public hearing, approval by the Board of Supervisors and ordinance change	40 cents per pack of 20 cigarettes	Increasing the tax rate from 30 cents to 40 cents would generate an additional \$1 million

Current Taxes with Rate Flexibility

Revenue Category (FY 2021 Revenue Estimate)	Information	Action Required	Rate Limitations	Potential Revenue
Transient Occupancy Tax (\$7.0 million)	Fairfax County currently levies a 4% transient occupancy tax (2% for general purposes and 2% to promote tourism)	Public hearing, approval by the Board of Supervisors and ordinance change	Rates between 2 and 5% are earmarked for tourism promotion. There is no restriction on the tax rate above 5%	1%=\$5.7 million based on FY 2019 actual revenue <i>(prior to COVID-19 impact)</i>