

TAXING POWERS GRANTED TO VIRGINIA COUNTIES, CITIES, AND TOWNS

(Incorporates changes through the 2009 General Assembly)

Tax and Authority	Local Governments Empowered to Levy	County - Town Relationship	Remarks
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TAXES ON PROPERTY			
Real Property (§58.1-3200)	Counties, Cities, Towns, and Special Districts	Town tax is levied in addition to county tax. Towns may conduct own reassessment, but none currently do so; all rely on county assessment.	See Note 2 for discussion on service district taxes.
Tangible Personal Property (§§58.1-3501; 58.1-3523 et seq.)	Counties, Cities, and Towns	Town tax is levied in addition to county tax.	See Note 3 for discussion on state reimbursement of taxes levied.
Machinery and Tools (§58.1-3507)	Counties, Cities, and Towns	Town tax is levied in addition to county tax.	Rate may not be higher than levied on tangible personal property. Idle machinery and tools are classified as intangible personal property are not subject to local taxation.
Merchants' Capital (§58.1-3509)	Counties, Cities, and Towns	Town tax is levied in addition to county tax.	Rate may not exceed the rate in effect on 1/1/78. May not be levied on any class on which BPOL tax is levied.

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TAXES ON INDIVIDUALS; CONSUMERS			
Sales and Use (§§58.1-605, 58.1-606)	Counties and Cities	Town may levy tax if its county does not.	Limited to 1% of the gross sales price of an item. Towns with separate school districts receive a proportion of the county's total sales tax revenue, based on school-age population. For all other towns, one-half of the county's revenue is divided among the county and towns, based on school-age population.
Motor Vehicle License (§46.2-752)	Counties, Cities, and Towns	Imposition of tax by town constitutes a credit for taxpayers on the county tax. The taxpayer is liable to the county for the difference between the town tax and the county tax. When town constitutes a separate school district and charges tax, county shall not impose its tax on town residents.	Tax may not exceed motor vehicle license tax imposed by State.

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Utility Consumers (§58.1-3814)	Counties, Cities, and Towns	If a county imposes the tax, no town within the county may impose the tax, unless the town constitutes a separate school division or had the tax in effect on or before January 1, 2000. Following towns, however, exempted from that limitation: Clifton, Colonial Beach, Dumfries, Gordonsville, Herndon, Iron Gate, Montross, Orange, and Vienna . If the town tax is in effect, the county tax does not apply within the town.	Rate not to exceed 20% and applicable only to first \$15 of bill for residential customers. (Beginning in 2001, rate on electricity or gas consumption to be based on number of kilowatt hours or cubic feet consumed. The effective cap of \$3 per month would remain the same, however, unless locality had a higher tax on 1/1/07.) After January 1, 2007, localities may not levy consumer utility tax on landline or wireless telephone service or cable television service.
Food and Beverage (§§58.1-3833, 58.1-3840, 58.1-3842)	Counties, Cities, and Towns	If town levies tax, county tax applicable in town only if council agrees.	Counties limited to maximum rate of 4% and may levy tax only after approved in referendum, except for Arlington, Frederick, Montgomery, Roanoke, and Rockbridge Counties which may impose tax if unanimously approved by board of supervisors. Rappahannock County may levy a combined food and beverage and transient occupancy tax at a maximum rate of 4% on bed and breakfast establishments. No limit on towns or cities and referendum not required.

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Income (§§58.1-540-549)	Cities of Norfolk, Virginia Beach, Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park, and Counties of Fairfax, Arlington, Loudoun, and Prince William		Limited to maximum of 1%; must be approved by referendum. Revenues must be used for transportation facilities. Tax can be levied for only 5 years from the effective date of the tax. Collection of tax is to be administered by state with proceeds remitted to locality.
Cigarettes (§58.1-3830, 58.1-3831)	Arlington and Fairfax Counties, Cities, and Towns	If town levies tax, county tax applicable in town only if council agrees.	Cities and towns may levy tax only if they had authority to do so prior to 1/1/77. Arlington and Fairfax limited to tax of \$0.05 per pack, or amount levied by State law, whichever is greater.

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<p>Transient Occupancy (§§58.1-3819, 58.1-3822 – 58.1-3825, 58.1-3840)</p>	<p>Counties, Cities, and Towns</p>	<p>If town levies tax, county tax applicable in town only if council agrees.</p>	<p>Counties limited to maximum rate of 2%. Arlington may levy tax up to 5%, under certain conditions, may impose additional 0.25% tax through 2012 to promote tourism, may levy additional 2% for conference center. Roanoke County’s charter authorizes levy of up to 5%. The following counties may impose an additional 3% to promote tourism: Albemarle, Amherst, Augusta, Bedford, Botetourt, Caroline, Carroll, Craig, Cumberland Dinwiddie, Franklin, Floyd, Gloucester, Halifax, James City, King George, Loudoun, Mecklenburg, Montgomery, Nelson, Northampton, Page, Patrick, Prince Edward, Prince George, Prince William, Pulaski, Rockbridge, Spotsylvania, Stafford, Tazewell, Wise, Wythe, and York. Henrico, Chesterfield, Hanover, James City, York, Fairfax, and Rockbridge are authorized to collect additional amounts for specific regional projects and tourism promotion. No limit on cities or towns.</p>

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Admissions (§§58.1-3818, 58.1-3818.01, 58.1-3840)	Fairfax, Arlington, Brunswick, Charlotte, Culpeper, Clarke, Dinwiddie, James City, Madison, Nelson, New Kent, Prince George, Roanoke, Scott, and Sussex Counties; Cities and Towns	County tax is in addition to any town tax.	Counties authorized to levy tax are limited to maximum of 10% except Roanoke, which has general charter power. Charlotte, Clarke, Madison, Nelson, and Sussex Counties may levy tax only for admissions to spectator events. Scott County may only impose \$0.25 tax on admissions to any off-track horse race wagering facility. All localities may elect not to collect tax for events raising funds for charitable purposes.
Recordation (§58.1-3800)	Counties and Cities		Limited to one-third of State recordation tax.
Probate (§58.1-3805)	Counties and Cities		Limited to one-third of State recordation tax.
E-911 (§58.1-1730, 58.1-662)	Counties, Cities, and Towns		Effective January 1, 2007, a uniform E-911 tax of \$0.75 per landline phone is collected by the State and deposited in the Communications Sales and Use Tax Trust Fund before remittance to localities (see Note 4).

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TAXES ON BUSINESSES			
Business, Professional and Occupational License [BPOL] (§58.1-3700, et seq.)	Counties, Cities, and Towns	Counties cannot levy BPOL taxes within a town that also levies BPOL taxes, unless the town agrees.	Commonly called “gross receipts tax”; may be levied on almost any type of business or occupation. State law places variety of caps on rates that can be levied against particular types of businesses. Also, localities with populations over 50,000 may not levy tax against a business with gross receipts of less than \$100,000. For those localities with a population of 25,000 to 50,000, the threshold is \$50,000. All localities may impose a license fee in those instances in which the tax is not levied. The fee may range from \$30 to \$100, depending on the size of the locality. Any locality imposing a fee or tax must adopt a uniform ordinance. No category can be required to pay both merchants’ capital tax and BPOL tax to the same jurisdiction. Numerous business types are exempted.
Daily Rental Property (§58.1-3510.1 et seq.)	Counties, Cities, and Towns	Town tax is levied in addition to county tax.	Similar to sales tax; limited to 1% of amount charged for rental property.
Coal Severance (§58.1-3286, 58.1-3712)	Counties and Cities		Limited to maximum of 1% of gross receipts from sale of coal mined.

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Gas Severance (§§58.1-3286, 58.1-3712, and 58.1-3713.4)	Counties and Cities		Limited to maximum of 2% of gross receipts from sale of gas produced. 25% of revenues in counties and city in Southwest Virginia paid to Virginia Coalfield Economic Development Fund.
Coal and Gas Road Improvement (§58.1-3713-3713.1)	Counties and Cities	20% of revenue in Wise County required to be distributed to towns and city situated in county. Of that portion, 25% distributed according to number of registered motor vehicles and remainder divided equally.	Limited to maximum of 1% of gross receipts of sale of coal or gas mined or produced. Locality retains 75% of revenue which goes into special road improvement fund. However, locality may elect to use 25% to 50% of the retained amount to fund construction of new water systems and lines. Remaining 25% of revenue paid to Virginia Coalfield Economic Development Fund. Authority expires at end of 2012.
Oil Severance (§58.1-3712.1)	Counties and Cities		Limited to maximum of 0.5% of gross receipts of sale of oil produced.

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Utility License (§58.1-3731)	Counties, Cities, and Towns	If town levies tax, county tax applicable in town only if council agrees.	Form of BPOL tax. Limited to maximum of 0.5% of gross receipts of utility company accruing from business in locality. After December 1, 2000, localities may not impose tax on electric or gas companies. Tax to be replaced by consumption tax established by State, collected by utility company, and distributed to locality.
Alcohol License (§§4.1-205 and 4.1-233)	Counties, Cities, and Towns	If a town levies a tax, county tax not applicable in town.	Localities authorized to collect license taxes from persons engaged in manufacturing, selling, or bottling alcoholic beverages and mixed beverages. Maximum taxes set by State law.
Bank Franchise (§§58.1-1208 – 58.1-1211)	Counties, Cities, and Towns	Counties may tax only those banks located outside town corporate limits.	Limited to maximum of 80% of the State rate on each \$100 of net capital of bank in the locality.
Cable TV Franchise (§15.2-2108.1:1, 15.2-2108.22, 14.2-2108.23)	Counties, Cities, and Towns		Fee rate from franchises negotiated by individual localities and in effect prior to 1/1/07 is frozen and fees are now collected by state and remitted from Communications Sale and Use Tax Trust Fund to individual localities (see Note 4).

NOTES:

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1. This table outlines taxing authority allowed local governments by statutory law. In addition to this authority, cities and towns which have incorporated the Uniform Charter Powers Act (§§15.2-1100 – 15.2-1126) into their charters have a general taxing authority (§15.2-1104). Consequently, some municipalities may levy taxes as a result of this provision, or through explicit authority granted in their charters, which are not on this chart.

2. Counties, cities, and towns can implement service districts and levy additional taxes on real estate within the district for a variety of purposes. The locality must then appropriate the collected taxes to provide the service (§§15.2-2400 – 15.2-2403). Localities may also impose special assessments upon abutting property owners for constructing capital improvements (15.2-2404-2413). In addition, counties can create sanitary districts for a variety of services and fund them through a tax on property in the districts (21-112.22 et seq.). Counties can levy property taxes, either countywide or in one or more magisterial districts, to pay for contracted fire protection services (§27-3). The General Assembly has authorized the creation of special transportation districts within counties or between counties. Urban counties as defined in 15.2-2403.1 may, upon agreement with the Commonwealth Transportation Board, designate urban transportation service districts within which they must maintain the roads. Such counties will receive lane-mile maintenance payments equivalent to those made to cities and towns. Special property taxes can be levied on business or commercial properties within those districts (§§15.2-4806 and 15.2-4607).

3. In 1998, to offset the cost of the personal property tax on motor vehicle, the State reimbursed motor vehicle owners 100% of the tax paid on vehicles with an assessed value of \$1,000 or less. Vehicles assessed at more than \$1,000 and up to a maximum assessed value of \$20,000, the reimbursement was 12.5% of the tax levied. After 1998, the proportion of the tax the State reimbursed to localities was to be increase until it reaches 100% in 2002, but the 2002 General Assembly limited the reimbursement to 70%. The owners of vehicles with an assessed value of more than \$20,000 are responsible for the entire tax on the value above \$20,000. The State reimbursement is applicable only to vehicles used for nonbusiness purposes and is limited to the local effective tax rate in effect on August 1, 1997. Localities are not prohibited from increasing the personal property tax rate on motor vehicles, but the owners of any motor vehicles in any locality doing so will be responsible for paying the entire difference between the amount owed under the new rate and what would have been owed under the base rate.

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4. House Bill 568 (2006) replaced an array of state and local taxes on communications with a Communications Sale and Use Tax and an E-911 Tax administered by the state. The Communications Sale and Use Tax is imposed on consumers of communications services including landline and wireless telephone, (including Voice-Over-Internet-Protocol), paging, cable television, and satellite radio and television. Service providers collect the tax from consumers and remit it to the state, which deposits revenues in the Communications Sale and Use Tax Trust Fund. The state also collects cable TV franchise fees and and E-911 taxes and deposits them in the Fund. After paying franchise fees to the localities that generated them, the state deducts amounts for administration and the operation of phone relay service for the deaf and hard-of-hearing. The remainder is then distributed to localities based on the percentage of total communications taxes (landline and wireless phone, E-911, consumer utility tax on cable TV, BPOL tax in excess of 0.5%, cable TV franchise fees, video programming excise tax) that they collected pursuant to local rates in effect as of 1/1/06.

Staff
Commission on Local Government
April 8, 2009