

11. CONSIDERATION OF PLACING AN EXCISE TAX ON MEALS ON THE NOVEMBER 2009 BALLOT

As discussed last month, § 58.1-3833 of the 1950 Code of Virginia provides that counties may impose a meals tax only if approved in a voter referendum. A referendum is initiated either by a resolution of the board of supervisors or by the filing of a petition signed by ten percent of the registered voters in the county. If the resolution of the board of supervisors seeking a referendum states for what projects and/or purposes the revenues collected from the tax are to be used, then the question on the ballot will include language stating for what projects and/or purposes the revenues collected from the tax are to be used.

Counties are limited by statute to imposing a maximum tax of 4%, while cities may go up to 6.5% and towns to 8%. Counties are restricted in their authority to levy the meals tax within the limits of an incorporated town unless the town grants the county the authority to do so. Currently, 40 of the 95 counties in Virginia levy a meals tax. Locally, the counties of Greensville and Isle of Wight and the cities of Franklin, Suffolk and Emporia have a meals tax.

In addition to food served at restaurants, a meals tax applies to grocery and convenience stores selling prepared food at a delicatessen. It does not apply to food and beverages sold through vending machines, food prepared and sold by churches, civic organizations, fire departments and rescue squads, or cafeterias in public schools, nursing homes, and hospitals.

Meals tax referendums were held in seven Virginia counties in November 2008, but passed in only one (King William). Based on an estimate by our Commissioner of the Revenue, a 4% meals tax in Southampton County would likely generate between \$150,000 and \$160,000 annually, the equivalent of 1.1¢ on the real estate tax rate.

An implementation timeline looks something like this:

April 28, 2009	Board consideration of resolution to initiate meals tax referendum
May 15, 2009	County Attorney forwards petition to Circuit Court for special election
November 3, 2009	Referendum held
November 6, 2009	Election results certified by Electoral Board
February 22, 2010	Public hearing on meals tax ordinance (if approved by referenda)
July 1, 2010	Meals tax implemented

I've taken the liberty of drafting a resolution for your consideration which provides that the revenues collected from a food and beverage tax would be applied to capital projects – if that's not your intention, I can revise the resolution accordingly.

MOTION REQUIRED:

If the Board is so inclined, a motion is required to adopt the attached resolution.