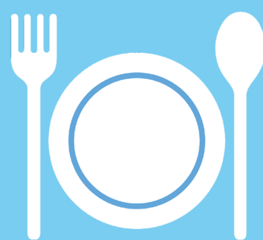
WHAT ARE THE DIFFERENCES BETWEEN CITY AND COUNTY TAXING AUTHORITY?

#LocalAuthorityLocalSolutions

MEALS TAX



Cities - YES
Counties - BY REFERENDUM

(five counties may levy without referendum, and counties are limited to a rate of 4 percent; no referendum requirements and no cap for cities and towns)

CIGARETTE TAX

Cities - YES
Counties - NO

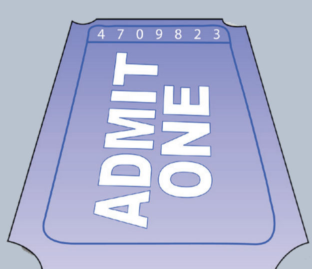
(limited to two counties at capped rate, but available to all cities and towns)

TRANSIENT OCCUPANCY TAX

CITIES - YES
COUNTIES - CAPPED

(capped for counties at 2 percent without special enabling authority; available to cities and towns without restriction)

ADMISSION TAX



CITIES - YES
COUNTIES - NO

(limited to certain counties with special enabling authority, but available to all cities and towns)

Virginia Association of Counties

www.vaco.org

Support Equal Taxing Authority for Counties

Empower Counties to build stronger Communities

- Counties provide the same core services as cities, such as K-12 education, public safety, social services, and public health, and must have the ability to raise revenue to provide these services.
- Providing counties equal taxing authority provides local boards of supervisors the ability to levy the same taxes that may already be imposed by city councils.
- Members of local boards of supervisors are elected by the residents of counties and are accountable to them for all the decisions they make.
- What about responsibility for road maintenance? Cities and towns that maintain their own roads receive annual maintenance payments from the state. VDOT has owned and maintained county roads since the 1930s. The cost and complexity of turning this responsibility over to counties cannot be simply addressed by equalizing taxing authority.

It's time to level the playing field.

Counties have significant responsibilities and they need revenue options to meet them.

- The distinction between city and county taxing authority is outdated.
  - Service needs have become more complex over time, as both counties and cities respond to modern-day challenges such as enhancing election cybersecurity; providing mental health treatment in jails; addressing substance abuse; maintaining vital infrastructure, such as water and sewer systems; and implementing Next-Generation 911 technology.
  - Experts have long recognized the need to eliminate this inequity in local taxing authority. In 2001, the Commission on Virginia's State and Local Tax Structure for the 21st Century wrote in its report to the Governor and the General Assembly:

> “*We recommend that this distinction, which is based solely on an historical legalism and which has no relevancy to modern service responsibilities, be eliminated and that* ***the taxing authority of Virginia's cities and counties be equalized****…We find no rational basis for the governing body of a county serving hundreds of thousands of citizens to be constrained in its ability to address the fiscal needs of its community in a manner more severe than that applicable to the governing body of a municipality serving a fraction of that number. This action, in our view, is long overdue.*”

- Limitations on counties' ability to raise revenues from diverse sources result in an over-reliance on real property taxes.
  - According to a June 2017 presentation made by the Division of Legislative Services to the Joint Subcommittee on Local Government Fiscal Stress, 65.6% of local tax revenue in counties comes from real property taxes.
  - Relying so heavily on one source of revenue leaves counties vulnerable to downturns in the real estate market, and places a particular strain on counties with declining populations. Without a robust real property tax base, counties struggle to generate necessary revenue to meet state requirements for the provision of services.