

Capitol Contact

Virginia General Assembly

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Thursday, February 24, 2022

Grocery Tax Legislation Advances

House and Senate versions of legislation to eliminate or reduce the tax on food for human consumption and personal hygiene products are moving towards conference committees. The Senate bill, [SB 451 \(Boysko\)](#), was heard in the House Finance Committee this week, and conformed to the House bill ([HB 90 \(McNamara\)](#)), with one important amendment.

As reported by the House Finance Committee on February 23, SB 451 now includes the following provisions:

- Eliminates the tax on groceries (food for human consumption and essential personal hygiene products) entirely (both the 1.5 percent state portion and the 1 percent local option), effective July 1, 2022.
- As a replacement for the revenue loss from the 1 percent local option, it would provide for a distribution to cities and counties that would be derived from 0.182 percent of the unrestricted General Fund portion of state sales and use tax. This figure was derived from the Department of Taxation's estimate of the amount of funding needed to cover local losses associated with the removal of sales taxes on groceries. The Department's estimates of losses for each locality (based on an analysis of sales by each dealer) may be found at [this link](#). The bill labels this payment a "supplemental school payment," terminology that continues to concern VACo. The local option sales tax revenue, although much of it may be used for school needs, is local general fund revenue. Labeling these funds as a school payment is likely to create conflict in the future between governing bodies and school divisions.

- Beginning on July 1, 2022, and before July 1, 2024, this payment will be based on each city and county's estimated average share of monthly distributions of the local option sales tax that is attributable to grocery sales between February 2020 and December 2021.
- Beginning July 1, 2024, this payment would be based on each city and county's pro rata share of local option sales and use tax collections.
- Beginning October 1, 2025, the Department of Taxation is directed to make an annual review of the distributions beginning July 1, 2024, and make any necessary adjustments in accordance with its authority to correct errors in sales tax distributions.
- As the House version was passed by the House on February 15, the bill did not replace the school-age population distribution in statute, instead restoring local losses through the Appropriation Act. VACo has advocated for a permanent replacement of revenue rather than relying on a pledge to keep localities whole in future budgets. In a helpful move, the bill was amended on February 23 to embed revenue replacement for the school-age population distribution in the Code by increasing the 1 percent school age population distribution to 1.182 percent.

SB 451, as amended, is now on the House floor. After it passes the House in its amended form, it will return to the Senate. HB 90 is before the Senate Finance and Appropriations Committee and is expected to be heard next week; the bill will likely be conformed to the Senate's version, which would move the bills further towards a conference committee to resolve differences between the two approaches.

VACo Contact: [Katie Boyle](#)

School Financing Bills to be Heard Friday Morning – Call House Finance Committee Members to Support the Bills

[SB 472 \(McClellan\)](#) would permit any county or city to impose an additional local sales and use tax of up to 1 percent, if initiated by a resolution of the local governing body and approved by voters at a local referendum. The revenues of such local tax would be used solely for capital projects for the construction or renovation of schools. Any tax imposed shall expire when the costs for capital projects are to be repaid and shall not be more than 20 years after the date of the resolution passed.

Currently, this authority is limited to the qualifying localities of Charlotte, Gloucester, Halifax, Henry, Mecklenburg, Northampton, Patrick, and Pittsylvania Counties and the

City of Danville. [SB 37 \(Norment\)](#) would expand this authority to Isle of Wight County and is also supported by VACo.

These bills allow Counties to exercise a local voter approved option to meet their community needs.

ACTION REQUIRED – Call your legislators who serve on the [House Finance Committee](#) now to encourage their support of these measures. Please let VACo know how your legislators respond to your request.

These bills will be heard Friday at 7:30 a.m. in the [House Finance Committee's Subcommittee #3](#). Please contact members **TODAY** to urge them to support SB 472 and SB 37.

KEY POINTS

- Funding for school construction and renovation is one of the biggest concerns and responsibilities of local governments in the Commonwealth and has been almost solely a local responsibility for decades. The condition of the facilities in which children are educated has a direct impact on their ability to learn.
- Many localities face significant challenges in raising sufficient funds to undertake these projects. These challenges include over-reliance on real property taxes to generate revenue, which can have vastly different yields depending on the locality and disproportionately burden a subset of taxpayers within a jurisdiction. This raises concerns over equity and diversity of revenues.
- According to the [Commission on School Construction and Modernization](#), more than half of K-12 school buildings in Virginia are more than 50 years old. The amount of funding needed to replace these buildings is estimated to cost \$24.8 billion. The Commission reported \$3 billion in needed renovations beyond existing Capital Improvement Plans, which indicates that fully addressing this problem will take a multibillion-dollar effort.
- This legislation is a unanimous, bipartisan recommendation by the Commission on School Construction and Modernization.
- Even though both the House and Senate budget proposals contain additional state support for school construction, local funds will be needed to leverage these funding options. This legislation is part of a holistic approach to the issue.
- This bill is not an automatic tax increase. It would merely create a local option and another tool in the toolbox of local government, which would only be enacted by local referendum.

- Even if the Subcommittee does not advance a statewide option, localities such as Isle of Wight that have requested this authority should be allowed to receive it.

KEY CONTACTS

House Finance Committee: [Robinson \(Chair\)](#), [Fowler \(Vice Chair\)](#), [Orrock](#), [Ware](#), [Byron](#), [Freitas](#), [McNamara](#), [Campbell, R.R.](#), [Walker](#), [Runion](#), [Wiley](#), [Durant](#), [Watts](#), [Keam](#), [Sullivan](#), [Murphy](#), [Hudson](#), [Willett](#), [Scott, D.L.](#), [Mundon](#), [King](#), [Simon](#), [Bennett-Parker](#)

VACo Contact: [Jeremy R. Bennett](#)

Key Dates for the 2022 General Assembly

As part of its organizational work on the first day of the 2022 session, the General Assembly adopted a procedural resolution on January 12 that sets out important dates and deadlines for the 2022 legislative session.

Key dates for the 2022 Session

- **January 12:** General Assembly convened at noon. Bills that were “prefiled” were due to be submitted by 10 a.m. All bills and regulations affecting the Virginia Retirement System or creating or continuing a study were required to be filed before adjournment. Governor Northam delivered the State of the Commonwealth address at 7 p.m.
- **January 14:** Deadline for submission of budget amendments
- **January 15:** Joint Assembly for inaugural ceremonies
- **January 17:** Joint Assembly for address by Governor Youngkin
- **January 21:** Deadline for all bills or joint resolutions to be filed by 3 p.m. (with some exceptions, such as legislation introduced at the request of the Governor or legislation allowed to be introduced after deadlines by unanimous consent)
- **February 15:** “Crossover” deadline for each chamber to complete work on legislation originating in that chamber (except for the budget bill)

- **February 20:** Money committees report budgets by midnight
- **February 22:** Money committee budget proposals available by noon
- **February 24:** Houses of introduction must complete work on budget
- **March 2:** Deadline for each chamber to complete work on other chamber's budget proposal and revenue bills and appoint conferees
- **March 7:** Deadline for committee action on legislation by midnight
- **March 12:** Scheduled adjournment *sine die*
- **April 27:** Reconvened session for consideration of Governor's amendments and vetoes

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