
—ALERT—

Capitol Contact

Tuesday, February 8, 2022

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Grocery Tax Legislation to be Considered in Senate Finance and Appropriations Again This Week – Contact Legislators TODAY!

The Senate Finance and Appropriations Committee again considered a partial repeal of the sales tax on groceries this morning. The proposed bill failed to report, and members agreed to reconsider the bill at a meeting later this week – **which could be as soon as tomorrow morning.**

The proposal that was considered this morning is a substitute for [SB 451 \(Boysko\)](#). As introduced, that bill would provide a sales tax exemption for essential personal hygiene products. The substitute, which may be found [at this link](#), would eliminate the 1.5 percent state portion of the sales tax on all groceries (food for human consumption and essential personal hygiene products), effective January 1, 2023. The 1 percent local option would be left intact. Although committee members indicated an expectation that the 1 percent of the state sales tax on groceries that is distributed to localities based on school-age population would be replaced in the budget, **the substitute does not explicitly provide for this replacement in statute.**

ACTION REQUIRED – Please contact members of the [Senate Finance and Appropriations Committee](#) as soon as possible.

KEY POINTS

- VACo takes no position on the policy question of elimination of the sales tax on groceries; **however**, if the state pursues this policy option, **localities must be made whole for any lost revenue associated with the 1 percent local option as well as the K-12 school-age population distribution.**
- Revenue must be replaced on an ongoing basis, via a direct distribution to localities in statute as well as in the budget.
- Addressing the lost revenue solely through a promised appropriation in the budget each year is not an adequate replacement for these dollars, as it will be vulnerable to caps or reductions in future years.
- We strongly encourage an approach that is minimally disruptive to current distribution mechanisms.

An option VACo has suggested to patrons and members would compensate for lost revenues associated with the local option and the school-age population distributions by adjusting the distribution percentages within the overall sales tax rate (which would be held the same). If it is assumed that eliminating the sales tax on groceries reduces the taxable sales base by an estimated 20 percent (to use a round number for ease of calculation), localities could be made whole by increasing the local option sales tax percentage by 20 percent (from 1 percent to 1.2 percent), increasing the school age population distribution by 20 percent (from 1.125 percent to 1.35 percent), and reducing the unrestricted state General Fund portion accordingly (from 2.025 percent to 1.6 percent). This approach would distribute funds through the same methods currently used, rather than creating a new formula, and would avoid the potential distortions created by replacing the school-age population distribution through an increase in basic aid (since that funding would flow through the Local Composite Index).

KEY CONTACTS

Senate Finance and Appropriations Committee: [Howell \(Chair\)](#), [Saslaw](#), [Norment](#), [Hanger](#), [Lucas](#), [Newman](#), [Ruff](#), [Vogel](#), [Barker](#), [Edwards](#), [Deeds](#), [Locke](#), [Petersen](#), [Marsden](#), [Ebbin](#), [McClellan](#)

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