

**DEPARTMENT OF TAXATION
2024 Fiscal Impact Statement**

1. **Patron** Vivian E. Watts

2. **Bill Number** HB 1444

3. **Committee** House Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. **Title** Distribution of state sales and use tax revenue; Standards of Quality basic aid payment

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would increase the amount of state sales and use tax revenue distributed to localities based on their proportionate share of the Commonwealth's school aged population to an amount equal to revenue generated by a 1.182 percent sales and use tax. The bill would also increase the amount of state sales and use tax revenue distributed to the Public Education Standards of Quality/Local Real Estate Property Tax Relief Fund ("SOQ Fund") to an amount equal to revenue generated by 0.398 percent sales and use tax.

Under current law, revenue distributed to localities based on their proportionate share of the Commonwealth's school age population is in an amount equal to revenue generated by a one percent sales and use tax and the SOQ Fund currently receives revenue in an amount equal to the revenue generated by a 0.375 percent sales and use tax.

If enacted during the regular session of the 2024 General Assembly this bill would become effective July 1, 2024.

6. Budget amendment necessary: Yes.

Page 1, Revenue Estimates

Item 137: Department of Education

7. Fiscal Impact Estimates are: Preliminary. (See Line 8.)

8. Fiscal implications:

Administrative Costs

This bill would have no impact on local administrative costs. The Department of Taxation considers implementation of this bill to be routine and does not require additional funding.

Revenue Impact

This bill would have a positive impact to local revenues and would decrease General Fund revenues available for appropriation by \$318.7 million in Fiscal Year 2025, \$331.8 million in Fiscal Year 2026, \$349.8 million in Fiscal Year 2027, \$369.6 million in Fiscal Year 2028, \$382.5 million in Fiscal Year 2029, and \$394.8 million in Fiscal Year 2030. The impact to each fund under this bill is shown in the table below.

Fiscal Year	GF-Unrestricted	GF-Restricted*	GF-Transfers**
2025	-\$318.7	\$283.0	\$35.8
2026	-\$331.8	\$294.6	\$37.2
2027	-\$349.8	\$310.5	\$39.2
2028	-\$369.6	\$328.1	\$41.5
2029	-\$382.5	\$339.6	\$42.9
2030	-\$394.8	\$350.5	\$44.3

**Amount distributed to localities based on school age population*

*** Amount transferred to the SOQ fund for local education.*

9. Specific agency or political subdivisions affected:

Department of Taxation
Department of Education
All localities

10. Technical amendment necessary: No.

11. Other comments:

Current Law

Current law provides that an amount equal to the revenue generated by a one percent state sales and use tax is to be distributed to localities based on their proportionate share of the Commonwealth’s school aged population. Such revenue is used by localities for educational funding.

In addition, Article VIII, Section 2, of the *Constitution of Virginia* requires the General Assembly to provide for apportionment of the cost of maintaining an educational program meeting certain prescribed standards of quality between the Commonwealth and the local units of government comprising school divisions. Each unit of local government is required to provide its portion of such cost by local taxes or from other available funds. To meet this obligation, the General Assembly currently allocates a distribution of state sales and use tax revenue equal to revenues generated by a 0.375 percent tax to the SOQ Fund. Localities receiving distributions of educational funding from the SOQ Fund are required to take such distributions into account when setting real estate tax rates.

Proposal

This bill would increase the amount of state sales and use tax revenue distributed to localities based on their proportionate share of the Commonwealth's school aged population to an amount equal to revenue generated by a 1.182 percent sales and use tax. The bill would also increase the amount of state sales and use tax revenue distributed to the Public Education Standards of Quality/Local Real Estate Property Tax Relief Fund ("SOQ Fund") to an amount equal to revenue generated by 0.398 percent sales and use tax.

If enacted during the regular session of the 2024 General Assembly, this bill would become effective July 1, 2024.

cc : Secretary of Finance

Date: 2/2/2024 VB
HB1444F161