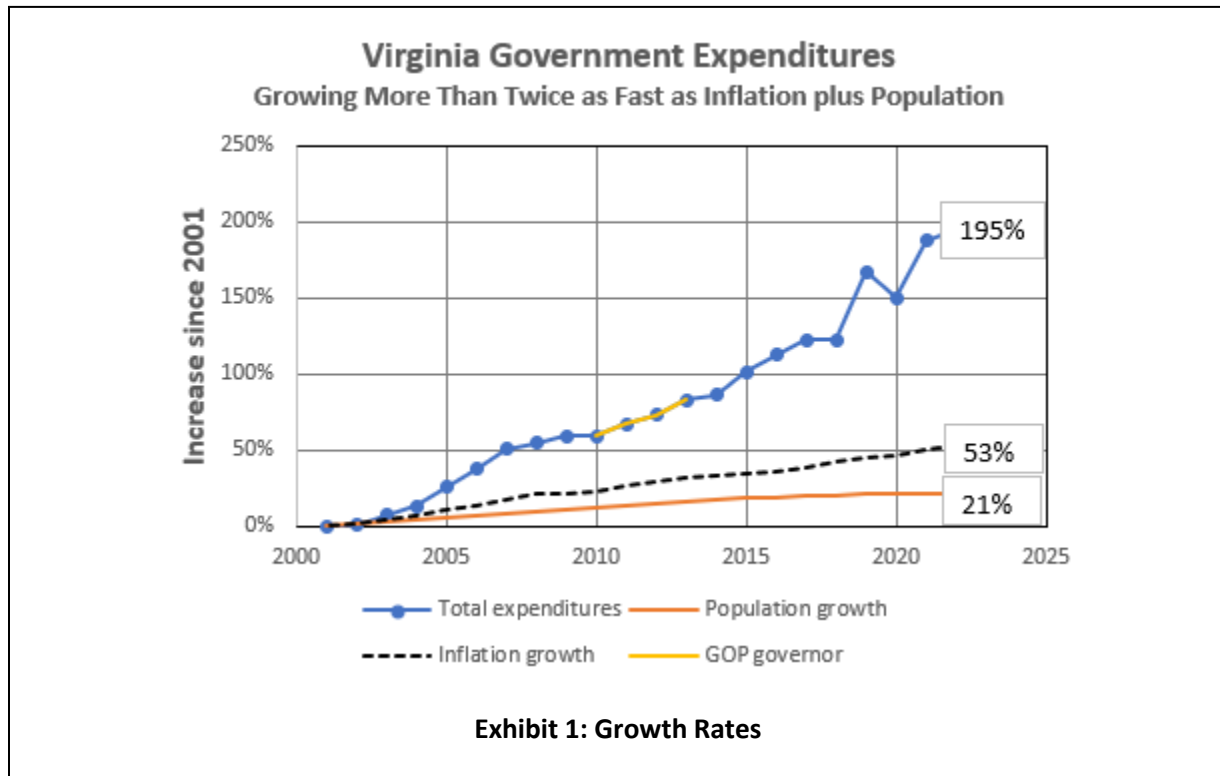


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Introduction: The major accomplishments of the government of the Commonwealth of Virginia in its 2020 and 2021 legislative sessions is summarized herein. There were 4,399 bills introduced in the two 2020 sessions¹, of which 1,345 dealt with legislation. The others were mostly commendations for citizens and citizen organizations. There were 2,588 bills introduced in the two 2021 sessions, of which 564 dealt with legislation. These numbers are typical for each year, so the Virginia Code is built from many thousands of bills. Tens of thousands of laws are required to deal with the many little details governing the lives of the citizens. Such happens when the Ten Commandments are discarded.

Summary

Since 2000, the Virginia budget has increased almost three times faster than the population plus inflation (Exhibit 1).² With Northam as governor (2018-2021), the Virginia expenditures increased an average of 8.9% per year, as compared to an average increase in the CPI-U of 1.8%. Most (42%) of the increase occurred in the Department of Health and Human Resources (primarily medical costs), while expenditures in Public Safety and Homeland Security decreased. By law, the Virginia budget



must be balanced. What is the source of the funds that cover this increase in expenditures? Taxes

¹ See, for example, <https://lis.virginia.gov/cgi-bin/legp604.exe?202+oth+STA>

² The Department of Planning and Budgets reports its data at <https://www.dpb.virginia.gov/budget/budget.cfm>. A detailed discussion of the budget and expenditures is included in the report at <http://fcta.org/Pubs/Reports/2017-09a-fac.pdf>.

are raised, almost unperceptively, little by little, spread over 127 sources in 2021 – ten more sources than in 2017. Taxes account for approximately 45% of the revenue. Of the taxes, 53% comes from individual income taxes (including payroll taxes). A decrease in income-tax revenue of \$3B (billion) dollars during the COVID-19 pandemic was more than offset by a \$10B grant from the Federal government. The Commonwealth kept the extra in its pocket, rather than refunding any income tax.

In the 2020 regular Legislative session alone, there were many taxes that were increased, as listed below. Some increases were limited to selected localities. Some government fees were also increased. In addition, tax incentives (tax breaks) were provided to favored industries and activities. Such tax breaks are offset by the increases in the other taxes.

Taxes are not increased greatly in any one area such that citizens, in reviewing the list of increases, see each one as inconsequential. The sum of all of the tax increases is, however, consequential, as is evident in the increase in total expenditures (Exhibit 1). Politicians are careful not to make a large increase in any one area, such as personal income tax, because people might then vote them out of office. Many of the taxes are placed on suppliers rather than consumers, because consumers thereby blame the suppliers, rather than the government, for the increases in prices.

The taxes and fees are not uniform across the various sources. The government favors some industries over others and burdens some industries over others. The government thereby has a significant impact on the economy.

Discussion: Listed below are the tax increases and the relevant bills that instituted the tax. All of the listed taxes have been passed by the House of Delegates and the Senate, and signed into law by Governor Northam. The House and Senate are controlled by Democrats; Governor Northam is a Democrat. Currently, Virginia is a single-party state and was for the 2020 and 2021 legislative sessions in which the listed bills were passed.

The bills are referenced by the House-bill (HB) number, although some have Senate-bill (SB) numbers. Increases in fees charged by the government are another way of increasing revenue; therefore, fee changes are included in the following list. The complete text of the bills can be found at <https://lis.virginia.gov/lis.htm>.

Statewide tax increases:

1. 2020 HB 30: On July 1, 2020, the 1.5-cent Virginia tax on cigarettes was increased to 3 cents per cigarette (\$0.60 per pack out of approximately \$5 per pack).³ Beginning July 1, 2020, liquid nicotine (e.g., "vape juice") will be subject to Virginia's tobacco products tax at a rate of 6.6¢ per milliliter, out of a total price of 50 cents per milliliter.⁴ For the same 8-mg-nicotine effect as one 25-cent cigarette, the total tax is 3 cents for a cigarette, but 6.6 cents for a milliliter of 50-cent worth of vape.⁵ This is the only tax that is tucked into the budget bill, rather than in a separate tax bill; therefore, it is difficult to find.
2. 2020 HB 129 increased by 30% the gross-receipts tax paid by consumers on electricity and gas consumption.
3. 2020 HB 502: Increases penalty for late payment of litter tax from amount of tax to \$100.
4. 2020 HB 534 allows localities to impose a 5-cent tax on disposable plastic bags, with the retailer keeping 2 of the 5 cents.

³ <https://www.tax.virginia.gov/cigarette-tax>

⁴ <https://budget.lis.virginia.gov/item/2020/1/hb30/reenrolled/3/3-5.21/>
<https://budget.lis.virginia.gov/searchitems.aspx?query=url:/item/2020/1/%202020%20HB30%20tax>

⁵ <https://www.vape-box.com/blog/how-many-vape-puffs-equals-one-cigarette>

5. 2020 HB 724 adds tangible property that is used in manufacturing, testing, or operating satellites to the list of personal properties that may be taxed.
6. SB 735: Peer-to-Peer vehicle sharing taxed at 6.5% increasing to 7%; car rentals taxed at 10%.
7. 2020 HB 785: A meals tax, defeated in 2016 in Fairfax County by 56-44%, can now be enacted in 2022 without a referendum.
8. 2020 HB 785: Optional admissions tax up to 10% on movies, theatre, concerts, sports
9. 2020 HB 881: \$14,400 on electronic skill (gambling) games; \$25K-\$50K penalty; sunsets 7/1/21, at which time skill games become illegal – they offer competition to the Lottery and other state-controlled gambling such as sports betting (2020 HB 896);
10. 2020 HB 1131 authorizes any locality by ordinance to assess a revenue share of up to \$1,400 per megawatt on any solar photovoltaic (electric energy) system.
11. 2020 HB 1154: Doubles the litter tax from \$10 to \$20 or from \$25 to \$50 for various businesses
12. 2020 HB 1414: Gasoline tax hike on 7/1/20 from 16.2 cents to 21.2 cents. (It was 17.5 cents on 1/1/15);
13. 2020 HB 1414: Gasoline tax hike on 7/1/21: from 21.2 cents to 26.2 cents
14. 2020 HB 1414: Annual gasoline tax hike based on CPI starting 7/1/22. Gas tax also includes 0.6 cents storage and 7.6 cents “regional” tax. The total is 34.4 cents state + 18.4 federal = 52.8 cents; compared to national average of 55.23 cents on 1/1/21
15. 2020 HB 1414: Transient occupancy: Fairfax County to hike from 6% to 7%.
16. 2020 HB 1414: Grantor’s real-estate tax hike from 15 cents/\$100 to 20 cents/\$100
17. 2020 HB 1414: Reduces auto registration by \$10 but imposes a new “highway use fee”, expected to start at \$19.
18. 2020 HB 316 limits to \$5000 the amount of refund that may be given if the tax assessment proves to be erroneous. If the county makes an assessment mistake, the amount the property owner can recover is thereby limited.

Local tax increases:

1. 2020 HB 62 Arlington County may continue to charge 5.25% transient-occupancy tax, not needing to revert to 5% rate.
2. 2020 HB 200 allows Mecklenburg County to increase its sales and use tax by 1%. 2020 HB 486 does the same for several other jurisdictions.
3. 2020 HB 755 allows localities to levy an extra tax on blighted properties and derelict structures.
4. 2020 HB 1541 imposes in the Richmond area of an additional regional 0.7 percent sales and use tax and a wholesale gas tax of 7.6 cents per gallon of gasoline and 7.7 cents per gallon of diesel fuel, with the funds being used for transit funding.
5. 2020 HB 1262 allows transient occupancy tax in certain counties.
6. 2020 HB 1631 authorizes Charlotte County to impose an additional local sales and use tax at a rate not to exceed one percent.
7. 2020 SB 255 authorizes Prince George County to impose a transient occupancy tax.
8. 2020 SB 1028 authorizes Northampton County to impose an additional local sales and use tax at a rate not to exceed one percent
9. 2020 HB 1102 creates the Hampton Roads Regional Arena Authority and grants it certain powers relating to construction of an arena and facility, including to issue bonds to construct the arena and facility and to receive state sales and use tax revenue to make payments against the bond.
10. 2020 HB 1726 creates the Hampton Roads Regional Transit Program to develop, maintain, and improve a regional network of transit routes and related infrastructure, rolling stock, and support facilities. The program would be funded by an additional regional grantor's tax at a rate of \$0.06 per \$100 of the consideration for the conveyance and a regional transient occupancy tax at a

rate of one percent of the charge for the occupancy. The bill also dedicates \$20 million of revenues from existing recordation taxes to funding the program.

11. 2020 SB 556 adds a \$15 penalty for driving in excess of the posted speed limit on U.S. Routes 15 and 17 in Fauquier County.

Statewide tax decreases (tax breaks) for certain industries:

1. 2020 HB 342 exempts sales at farmers markets by meals, food, and beverage taxes for sales up to \$2,500.
2. 2020 HB 408 gives a \$500 tax credit per year, for 5 years, to the employer for green jobs paying more than \$50,000 per year.
3. 2020 HB 120 Virginia Beach Sports or Entertainment Project; extends expiration date of tax incentive, etc.
4. 2020 HB 537 Extends Real estate tax exemption for property in redevelopment or conservation areas or rehabilitation districts to 30 years.
5. 2020 HB 590 gives a tax credit to the landlord of a subsidized-housing unit that is in an area where less than (sic) 10% of the population lives below the poverty level.
6. 2020 HB 748 gives tax credits for research and development expenses.
7. 2020 HB 888 exempts from retail sales tax gun safes with a selling price of \$1,500 or less.
8. 2020 HB 1021 allows a locality to exempt from tangible personal property taxes certain farm equipment, machinery and farm implements, including those used for forest harvesting and silvicultural activities
9. 2020 HB 1173 provides tax exemption for certified pollution control equipment and facilities.
10. 2020 HB 1318 extends the Motion picture production tax credit
11. 2020 HB 1327 limits the property taxes on wind turbines to \$0.20 per \$100 more than the real-estate property tax rate.
12. 2020 HB 1434 gives for solar electric-energy equipment a partial local property tax exemption.
13. 2020 HB 1498 creates the Pharmaceutical Manufacturing Grant Program to make grant \$7.5 million in payments to an eligible pharmaceutical manufacturer that makes a capital investment of at least \$1 billion at a facility in Rockingham County.
14. 2020 SB 277 allows an income-tax deduction for commuter benefits provided by an employer.
15. 2020 SB 590 postpones from 2020 to 2025 the sunset date of the income tax credit for purchase of equipment for processing recyclable materials, also exempting the equipment from sales tax, and machinery and tools tax.

2020 HB 887 prohibits the Commonwealth from seeking estate recovery or payment from the proceeds of an ABLE Account when the beneficiary dies.⁶

Statewide fee increases:

1. 2020 HB 1511 increases the towing fee by \$30 for nighttime towing (e.g., away from illegal parking). 2020 HB 1126 requires that the vehicle must weigh more than 75 lbs.
2. 2020 HB 535 Real-estate property may be sold by the government if taxes are delinquent in excess of 25% of the value of the property.

⁶ ABLE Accounts, which are tax-advantaged savings accounts for individuals with disabilities and their families, were created as a result of the passage of the Stephen Beck Jr. Achieving a Better Life Experience Act of 2014 (the ABLE Act). The beneficiary of the account is the account owner, and income earned by the accounts will not be taxed. Contributions to the account, which can be made by any person must be made using post-taxed dollars and will not be tax deductible for purposes of federal taxes.