

May 1, 2021

- Any county not yet collecting a **transient occupancy tax** on hotels and B&Bs may do so.
- Existing **transient occupancy taxes** are raised in the Hampton Roads and Northern Virginia transportation regions for transportation uses, and the existing **grantor's tax** for transportation in Northern Virginia is raised.

July 1, 2021

- The statewide **tax on gasoline** rises to 26.2 cents per gallon, or 33.8 cents when combined with the regional tax. (For much of Virginia this is more than double the tax imposed before July 2020.)
- The statewide **tax on diesel fuel** rises to 27 cents per gallon, or 34.7 cents when combined with the regional tax.
- Any county without one may impose a **local cigarette tax**. Existing rates are grandfathered, and new taxes limited to \$2 per carton.

July 1, 2022

- The statewide and regional wholesale taxes on **gasoline and diesel fuel** begin to rise annually based on the consumer price index. This will be the first time any Virginia tax rate has been indexed for inflation.

What's Next?

Governor Northam wants Virginia to join the Transportation and Climate Initiative (TCI), but it will require General Assembly concurrence. Under TCI, Virginians will see their gasoline tax rise another 17-33 cents per gallon, with additional increases possible. Along with using a higher price to reduce the use of gasoline and diesel, TCI will also ration the amount of fuel for sale at the wholesale level. Despite the massive increase in taxes, Virginia will end up with less tax revenue for road repair, safety and new construction.

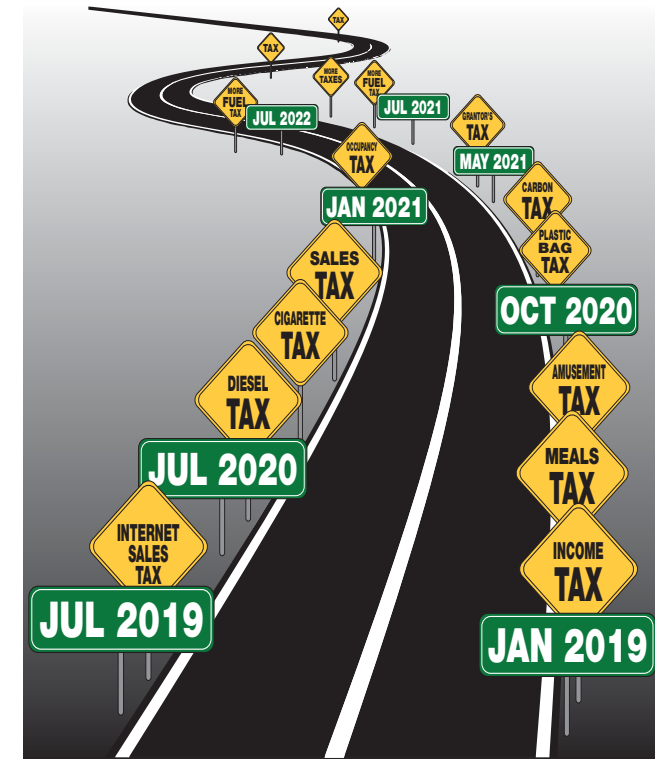
“A wise & frugal government, which shall restrain men from injuring one another, shall leave them otherwise free to regulate their own pursuits of industry and improvement, & shall not take from the mouth of labor the bread it has earned. This is the sum of good government ...”

–Thomas Jefferson



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THE ROAD



TO HIGHER TAXES

The Road To Higher Taxes

No administration in Virginia's recent history has created or raised as many taxes as that of Governor Ralph Northam (D), first working with a legislature controlled by the other party and then in 2020 with a new Democratic majority. The plethora of new taxes or higher rates have kept the state's revenues stable during the COVID-19 pandemic and will lead quickly to substantial growth in state and local revenue when the crisis fades.

But by taking more money out of the private economy, these taxes – most of them “hidden” – will delay the private sector economic recovery from the COVID recession. Even worse, more new taxes are being planned, among them a new Transportation and Climate Initiative carbon tax.

January 1, 2019

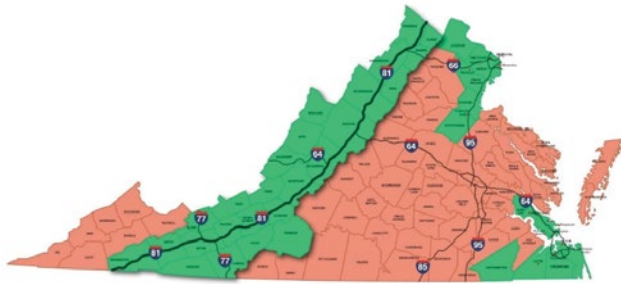
- Virginia began to reap a bonanza of additional **income tax** from individuals and corporations because of conformity to new rules on tax deductions at the federal level. The federal Tax Cuts and Jobs Act balanced various rule changes with lower rates. Virginia accepted (“conformed to”) most of the rule changes but lowered no tax rates, producing the revenue increase. The key General Assembly votes were at the 2019 session and applied to tax year 2019.

July 1, 2019

- Virginia's **sales and use tax** collection system is imposed on remote sellers in other states using the Internet to reach into Virginia, requiring the seller to collect and remit the taxes. The tax rate didn't change but far more transactions were suddenly covered by tax at the point of sale, a change especially lucrative during the online sales boom of the COVID-19 recession.

July 1, 2020

- The statewide tax on **gasoline** increased from 16.2 cents per gallon to 21.2 cents per gallon (a 31% increase) and is no longer tied to the rise or fall of wholesale cost.
- The 7.6 cents per gallon regional tax on **gasoline**, now imposed in Northern Virginia, Hampton Roads and along the I-81 corridor, became a statewide tax. The total gasoline tax, statewide and regional, went to 28.8 cents per gallon everywhere. That was a 21% increase where the regional tax already existed, and a 78% increase where it did not.



Before July 2020, Virginia imposed higher fuel taxes in the high volume transportation regions (in green). Now there is a single statewide tax rate. 28.8 cents per gallon and 27.9 cents per gallon for diesel, set to rise another nickel July 2021.

- A new **highway user fee** was imposed on vehicle registrations, with more efficient vehicles charged larger amounts because they buy little or no motor fuel, and thus avoid the fuel taxes.
- The 7.7 cents per gallon regional **diesel fuel** tax was also expanded statewide. For those areas outside one of the regional taxing districts, the diesel tax went up 38% to 27.9 cents per gallon. (The base statewide diesel fuel tax was 20.2 cents per gallon before the increase.)
- The state tax on **cigarettes** rose from \$3 to \$6 per carton, a 100% increase.
- The state tax on **other tobacco products** rose from 10% to 20%, a 100% increase.
- A new 6.6% tax was imposed on **liquid nicotine** products used for vaping.
- Counties without a tax on **prepared meals** could now impose one without the previously required referendum, unless already rejected in a recent referendum. (The county must wait until six years after a failed referendum.) The maximum allowed tax rises from 4 to 6% (a 50% increase), so some existing meals tax rates may rise.
- Counties could impose a local tax on **admissions to movies, concerts and other amusements**.
- Additional **grantor's tax** was imposed on real estate transactions in the Hampton Roads Transportation District for transportation uses.
- Higher taxes on **public service corporations** (such as utilities) could be imposed to fund operations of the State Corporation Commission (taxes which eventually are passed on to consumers.)

- A tax of \$1,200 was imposed on all currently unlicensed **games of skill machines**. The Assembly had originally voted to ban them, but the machines were saved and taxed to create a fund for COVID-19 related expenses.
- Eight localities were authorized to call referendums on increasing their sales taxes an additional 1% to pay for school projects. They are Henry, Charlotte, Halifax, Mecklenburg, Pittsylvania, Gloucester and Northampton counties, and the City of Danville.

October 1, 2020

- The Central Virginia Transportation Authority was created. The regional fuel taxes imposed on July 1 are diverted to its control, and an additional 0.7% **general sales tax** was imposed on that date in: Counties of New Kent, Charles City, Hanover, Henrico, Chesterfield, Powhatan and Goochland, the City of Richmond and Town of Ashland. (The tax rose to 6%)
- A peer-to-peer **vehicle sharing tax**, similar to the current vehicle rental tax, was imposed.

January 1, 2021

- A tax of 2.25 cents per stick is imposed on **heated tobacco products**, which were left out of the earlier tax increase on liquid tobacco products used in vaping. The remote seller sales tax rules are also extended to the non-cigarette products. (New, by action of 2020 Special Session)
- All localities are authorized to impose a 5-cent **tax on plastic bags**, by local ordinance.
- Electricity generators begin to pay a **carbon tax** on emissions from fossil fuel plants, costs which will eventually be passed directly on to consumers. The amount of tax is set by an auction.
- All customers of the major electricity providers (Dominion Virginia Power and Appalachian Power) begin to pay a usage-based **tax on their electric bills** to fund the new **Percentage of Income Payment Plan**, providing subsidized electricity to certain low-income customers. The tax amount will be set in a State Corporation Commission proceeding.