

Attachment H

Summary of Senate Bill 170 – Retail Sales and Use Tax Increase for Public Education

If passed by the General Assembly, Senate Bill 170 would authorize a one-half of one percent sales and use tax increase statewide to be distributed to counties and cities for expenses incurred in the operation of public schools and capital projects for public schools. The tax increase would become effective on July 1, 2003, subject to voter referendum.

The funds collected from the increase would be distributed in the following manner:

- One third of the increase would be distributed to counties and cities by point of sale;
- One third of the increase would be distributed to counties and cities on a set per pupil amount, based on the latest actual adjusted average daily membership, and adjusted by the locality's composite index of ability-to-pay as set forth in the Appropriation Act;
- One third of the increase would be distributed to counties and cities on the basis of the number of children in each county and city, according to the most recent statewide census of school population.

The bill also contains a provision stating that revenues distributed to counties and cities from the tax increase shall not be used to calculate or reduce the share of federal, state, or local revenues or funds otherwise available to counties and cities, including, but not limited to, state basic aid payments.

The Virginia Department of Taxation estimates the additional sales tax in this bill at approximately \$356 million in FY2004.

Senate Bill 170 also authorizes sales and use tax increases in the Eighth Planning District (Northern Virginia) and in certain cities and counties of the Hampton Roads Planning District. The revenues generated from these increases would be used to support transportation improvements.