Analysis of Suggestions for Improvement as part of the FY 2010 County's Line of Business & Schools Program Review Processes Fall 2008

Request By: Public

Suggestion: Look at County taxes to meet the budget shortfall, especially those that would be levied on individuals who work but do not live in the County and that would not harm low income persons. Consider such taxes as a Restaurant Meal Tax and pet license fees.

Response By: Department of Management and Budget

Background: Fairfax County has taken many opportunities, where authorized, to diversify the County's tax base. The Commonwealth of Virginia is a Dillon Rule state, which means that localities have only those taxing powers that are expressly stated by the Code of Virginia. The County is at maximum rates for the Sales Tax, Cigarette Tax, Transient Occupancy Tax, Recordation Tax and the Deed of Conveyance Tax.

By State Code, a Restaurant Meals Tax can be implemented in Fairfax County only if first approved in a voter referendum. Cities and towns may levy a meals tax but are not required to go to referendum first. A Fairfax County meals tax was put to voter referendum in April 1992, but was defeated 58 percent to 42 percent. In 2004, legislation was introduced to exempt Fairfax County from the referendum requirement. The legislation was passed by the Senate but failed in the House. Meals Tax referendums were held in seven other Virginia counties in November 2008, but only one, in King William County, succeeded. The referendum in Loudoun County failed 69 percent to 31 percent.

Fairfax County regularly looks at user fee charges and licenses. Several revenue enhancements were approved as part of the FY 2009 Adopted Budget Plan including increases in Emergency Medical Service Transport Fees, Fire Marshal Fees, and the fine for parking in a Handicapped Parking space. On October 20, 2008, the Fairfax County Board of Supervisors approved an increase in the cost of all dog licenses to $10 effective November 1, 2008. Previously, spayed or neutered dogs were charged $5. On an annual basis, this change is anticipated to generate approximately $225,000 in additional revenue.

The County does not have the authority to levy a commuter tax or any other tax that would impact only those individuals that work but do not live in the County.

Recommendation:

In order to implement a Meals Tax in Fairfax County, a voter referendum is required. The referendum may be initiated by a resolution of the Board of Supervisors or on the filing of a petition signed by 10 percent of registered voters in the County. At the maximum rate of 4.0 percent, a Meals Tax in Fairfax County could generate approximately $80 million per year.