

## Response to Questions on the FY 2009 Advertised Budget Plan

**Request By:** Supervisor Hyland

**Question:** How much revenue would a Restaurant Meals Tax generate in Fairfax County? Describe the process for implementing the tax and any restrictions on the use of the tax.

**Response:** As authorized by §58.1-3833 of the *Code of Virginia*, counties may levy a meals tax on food and beverages offered for human consumption if the tax is approved in a voter referendum. The voter referendum may be initiated either by a resolution of the Board of Supervisors or on the filing of a petition signed by 10 percent of the voters registered in the county. Cities and towns may impose a meals tax without holding a referendum. In addition, several counties have been exempted from the voter referendum requirement in the *Code of Virginia* provided that a public hearing is held before adoption and the governing body adopts the tax by local ordinance by unanimous vote. The counties granted the exemption to the voter referendum are Arlington County, Roanoke County, Rockbridge County, Frederick County, and Montgomery County.

Counties are limited to a maximum meals tax rate of 4.0 percent. No rate limitation is set for cities or towns. A 1.0 percent meals tax in Fairfax County is estimated to generate approximately \$20 million in revenue. At the maximum 4.0 percent rate, a County meals tax could generate annual revenue of approximately \$80.0 million. Note that this is a revised estimate based on calendar year 2007 taxable sales information that was recently released. There are no restrictions regarding the use of the tax revenue generated from a meals tax.

A Fairfax County meals tax was put to voter referendum in April 1992, but was defeated 58 percent to 42 percent with approximately 102,000 votes cast, representing about 25 percent of total registered voters in 1992.