

New tax bill could funnel millions into localities' discretionary budgets

By Steve Roberts, Jr.
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Sen. Tommy Norment, R-James City County

While Democratic Governor Ralph Northam has until April 9 to sign State Senate Majority Leader Thomas Norment Jr.'s sales tax bill, local leaders are already looking at the financial impacts the tax increase would have.

If signed by Northam, the bill submitted by Norment, R-James City County, will raise the sales tax in the City of Williamsburg, and James City and York counties by 1 percentage point. A spokeswoman for Northam did not return a request for comment on the bill.

“This will be a permanent source of revenue that brings together all three jurisdictions to promote us as a destination with a variety of opportunities,” Norment said in an interview. “It really could be transformational. In my Senate district, I think, there are about 12,000 people employed in the tourism industry.”

If signed into law, the proposal will eliminate the \$2 transient occupancy tax, a tax collected for nightly stays in hotels, motels, and bed and breakfasts in Greater Williamsburg. The proposal initially excluded taxing meals, but in its final form will tax food “for human consumption.”

Taxes would increase by one percentage point, one cent for every dollar spent, on most purchases made in Greater Williamsburg from hotel stays to eating at local restaurants or even shopping at the Williamsburg Premium Outlets.

To take effect, the City of Williamsburg would need to roll back its tourism tax increase on meals, lodging, and admission tickets. That tax was passed last year, with the expectation that it will take effect on July 1, if it is not repealed.

Half of the revenue from the increase would be directed toward marketing the area to tourists and visitors, while the other half would be given back to the localities the tax was collected from to use as they see fit.

Millions of dollars up for grab. The three localities in Greater Williamsburg had requested increased funding for tourism marketing and infrastructure, according to each locality’s respective legislative agenda, but Norment’s bill would also provide millions of dollars of tax revenue to each locality.

For the City of Williamsburg, that means nearly \$2.2 million of new revenue would enter city coffers directly, if state sales tax revenues for the city remained the same as fiscal year 2017. Based on projections, the tax would allow the city to contribute money to its tourism development fund if the City Council wants to take that action, according to Vice-Mayor Scott Foster

In June, City Councilor Doug Pons said he wanted to see any revenue option for the fund generate a “meaningful amount of money.” *NORMENT’S PROPOSAL “GENERATES A MEANINGFUL AMOUNT OF MONEY FOR TOURISM IN GENERAL,” PONS SAID IN AN INTERVIEW.* While the amount of revenue

would be less under Norment's proposal, the city could still go through with its tourism development fund, according to Foster. "It gets us to the meaningful threshold," Foster said. "This is a better policy because of its regional approach, I think there's a much stronger consensus that this is the way forward

Mayor Paul Freiling indicated in a Jan. 29 email that he would recuse himself from any further discussion of the June admissions tax increase. In James City County, talks of tax revenues from Norment's proposal have been nuanced. *"THIS WAS ACTION TAKEN BY THE GENERAL ASSEMBLY AND OUR BOARD HAS NO VOTE ON THE ACTUAL TAX," JAMES CITY COUNTY BOARD OF SUPERVISOR CHAIRWOMAN RUTH LARSON WROTE IN AN EMAIL.*

"That said, I am committed to ensuring that any discussion or action the Board of Supervisors takes on this critical issue is both fully informed and in a transparent manner." For Supervisor Sue Sadler, the tax increase could become a way for the county to reduce business professional occupational license taxes, as well as the machine and tool tax and property tax, according to an email. Sadler has proposed dividing a projected \$4.5 million the county could receive into three equal sized tax decreases. "By being revenue neutral, this will help James City County remain a great place to live, work and play," Sadler wrote.

For York County the sales tax increase could free up more county cash to go toward infrastructure, such as county schools and buildings, according to York County Board of Supervisors Chairwoman Sheila Noll. "Most of the people I've talked to would rather have this tax than a real estate tax increase," Noll said. "We have spent most of our money on services during the downturn in the economy." *"WE'VE LEFT THE INFRASTRUCTURE HELD TOGETHER WITH CHEWING GUM AND WIRE," NOLL SAID. "WE REALLY HAVE TO SPEND SOME ON THE COUNTY INFRASTRUCTURE."* Noll said if the bill is signed into law, the county could use revenues from the tax increase to improve county land.

The money could also help fund the renovation or replacement of county buildings including schools, as well as funding York County Fire and Life Safety and the

York-Poquoson Sheriff's Office, according to Noll. "I speak for myself, but my sense is that the board supports it," Noll said. "We've been looking for an alternative tax for a long time. Most of our taxes come from real estate and we really need to diversify."

County Administrator Neil Morgan said the proposal would help the county make up for its inability to raise other taxes on tourists. "The half a cent sales tax that goes to the localities for their general purposes somewhat makes up for our inability to go to those other taxes that cities have," Morgan said.

"The real estate tax, personal property tax, those taxes are 100 percent on residents," Morgan said before adding that part of any sales tax increase "will be paid by tourists or visitors. That's good for York County residents."

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