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HOUSE BILL NO. 1669

Offered January 14, 2009

Prefiled December 22, 2008

A BILL to amend the Code of Virginia by adding in Chapter 3 of Title 58.1 an article numbered 23, consisting of a section numbered 58.1-550, relating to income tax sharing for local infrastructure.

Patrons—Albo, Rust and Frederick

Referred to Committee on Appropriations

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding in Chapter 3 of Title 58.1 an article numbered 23, consisting of a section numbered 58.1-550, as follows:

Article 23.

Income Tax Sharing For Local Infrastructure.

§ 58.1-550. Annual return to localities of a share of income tax collections; education and transportation needs.

A. The Commonwealth shall return to each county and city 50 percent of the growth in the individual income tax collected from residents of that county or city pursuant to this section. The 50 percent growth share shall be based on the individual income taxes collected from residents of the county or city as determined by the Department of Taxation. Annually, the Department shall establish the total amount of individual income tax collections paid by the residents of the county or city during the immediately preceding calendar year and from that amount, subtract the individual income tax collections paid by the residents of the county or city from the next preceding calendar year. If such calculation results in a positive number, then the Commonwealth shall return 50 percent of the increase to the applicable county or city.

B. The share of the income taxes to be returned shall be paid to the county or city no later than June 1 of each year for the preceding calendar year's taxes. In any year during which the Commonwealth makes a withdrawal from the Revenue Stabilization Fund, the 50 percent share shall not be paid to the county or city.

C. The revenues transferred to the county or city shall be used for (i) new road construction or new public transit construction, (ii) public transit operating costs above and beyond that which the locality provided in the immediately preceding fiscal year if such operating funds are matched by the federal government, or (iii) new school construction or renovation of existing schools provided that the percentage of the county or city budget spent on school construction or renovation is above the percentage spent for school construction or renovation in the immediately preceding fiscal year.