

H. B. 2262

(By Delegates Shott and Ellington)

[Introduced January 23, 2015; referred to the
Committee on Political Subdivisions then Finance.]

**FISCAL
NOTE**

A BILL to amend the Code of West Virginia, 1931, as amended, by adding thereto a new article, designated §11-28-1, §11-28-2, §11-28-3, §11-28-4, §11-28-5, §11-28-6, §11-28-7 and §11-28-8, all relating to establishing a procedure by which counties and municipalities may be authorized to levy a sales tax on food and beverages sold at restaurants; providing for county and municipality options; limiting the total tax to three percent; limiting a municipal tax to two percent; setting forth the procedures for counties or municipalities to use to impose the tax; requiring publication; setting forth how the collected tax may be used; setting forth apportionment of the tax between local jurisdictions; setting forth exemptions from the tax; defining terms; and providing criminal penalties.

Be it enacted by the Legislature of West Virginia:

That the Code of West Virginia, 1931, as amended, be amended by adding thereto a new article, designated §11-28-1, §11-28-2, §11-28-3, §11-28-4, §11-28-5, §11-28-6, §11-28-7 and §11-28-8, all to read as follows:

1 **ARTICLE 28. LOCAL OPTION FOOD AND BEVERAGE TAX.**

2 **§11-28-1. Food and beverage tax.**

3 A county or municipality is authorized to levy a tax on food and beverages sold for human
4 consumption by a restaurant as defined in this article. Any tax levied under this article may not
5 exceed three percent of the gross amount charged for the food and beverages.

6 **§11-28-2. Definitions.**

7 As used in this article:

8 “Alcoholic beverage” means any alcohol, beer, wine and spirits, and any liquid or solid
9 capable of being used as a beverage, including any beverage that consists of a mixture of alcoholic
10 and nonalcoholic liquids or solids.

11 “Beverage” means any alcoholic or nonalcoholic liquid intended for human consumption.

12 “Fund-raising organization” means any church, school, fraternal or social organization,
13 volunteer fire department or rescue squad that periodically sells food and beverages for public
14 consumption to raise funds to benefit that organization.

15 “Municipal” or “municipality” means any city or town.

16 “Not-for-profit capacity” means the sale of food for the intentional purpose of equaling the
17 operating costs of the restaurant.

18 “Restaurant” means any place where food is prepared for service to the public on or off the
19 premises, or any place where food is served, including, but not limited to, lunchrooms, food
20 counters, food trucks or carts, short order or fast food eateries, cafeterias, coffee shops, cafes,
21 taverns, delicatessens, dining accommodations of public or private clubs, kitchen facilities of
22 hospitals and nursing homes and dining accommodations of public and private schools and colleges.

1 **§11-28-3. County option.**

2 (a) Any tax levied under this article must be approved by referendum within the county in
3 which the tax is to be levied by a margin of at least sixty percent of those voting.

4 (b) A referendum for imposition of a county food and beverage tax may be initiated by:

5 (1) A resolution of the county commission; or

6 (2) A petition filed with the county commission signed by a minimum of ten percent of the
7 county's registered voters as of January 1 in the year in which the petition is filed.

8 (c) A petition or resolution may designate the length of time of the tax's imposition and the
9 projects or purposes for which the tax will be levied: *Provided*, That the information is included on
10 the referendum's ballot.

11 (d) The county commission shall publish a Class III legal advertisement of the referendum
12 in compliance with article three, chapter fifty-nine of this code in a newspaper of general circulation
13 in the county.

14 **§11-28-4. Collection of tax; use.**

15 (a) Any tax levied pursuant to section three of this article shall be collected in a manner
16 prescribed by the county commission.

17 (b) Any tax levied under section three of this article shall be placed in the county's general
18 revenue fund and expended as the county commission desires: *Provided*, That any projects or
19 purposes designated for the imposition of the tax and included on the referendum ballot shall be paid
20 as follows:

21 (1) At least twenty-five percent or such greater portion of the collected tax as may be agreed
22 between the county commission and the county's economic development authority prior to the

1 publication required by subsection (d), section three of this article shall be remitted by the county
2 to the county's economic development authority to be expended for economic development
3 purposes;

4 (2) For all restaurants located within a municipality, at least twenty-five percent or a greater
5 portion of the collected tax from each restaurant as may be agreed between the county commission
6 and the municipality shall be remitted by the county to the municipality to be expended in a manner
7 which the municipality's governing body desires.

8 **§11-28-5. Municipal option.**

9 (a) Any municipality located in a county that has not levied, or sought to levy, a food and
10 beverage tax within one year following the effective date of this article, is authorized to levy a tax
11 on food and beverages sold for human consumption by a restaurant as defined in this article. Any
12 tax levied under this article may not exceed two percent of the gross amount charged for such food
13 and beverages.

14 (b) Any tax levied under this article must be approved by referendum within the municipality
15 in which the tax is to be levied by a margin of at least sixty percent of the voters who vote in the
16 referendum.

17 (c) A referendum for imposition of municipal food and beverage tax may be initiated by:

18 (1) A resolution of the municipality's governing body; or

19 (2) A petition filed with the municipality's governing body signed by a minimum of ten
20 percent of the municipality's registered voters as of January 1 in the year in which the petition is
21 filed.

22 (d) A petition or resolution may designate the length of time of the tax's imposition or

1 projects or purposes for which the tax will be levied: *Provided*, That the information is included on
2 the referendum's ballot.

3 (e) The municipality's governing body shall publish a Class III legal advertisement of the
4 referendum in compliance with the provisions of article three, chapter fifty-nine of this code in a
5 newspaper of general circulation in the municipality.

6 **§11-28-6. Exemptions.**

7 (a) This tax is applicable to restaurants whose food and beverage preparation and service are
8 regulated by county boards of health. Any tax levied under this article may not be levied upon food
9 and beverages sold from:

10 (1) Places manufacturing packaged or canned foods which are distributed to grocery stores
11 or other similar food retailers for sale to the public;

12 (2) Vending machines;

13 (3) Restaurants operating in a not-for-profit capacity;

14 (4) Churches serving meals as a regular part of regular religious observances;

15 (5) Fund-raising organizations; or

16 (6) Food counters or delicatessens that operate as part of a larger retail business which:

17 (A) Food and beverage sales do not exceed thirty percent of the larger retail business's total
18 gross sales; and

19 (B) Have ten or fewer seats on the premises at which food is consumed.

20 (b) Any tax levied pursuant to this article may not be applied to any discretionary gratuity
21 paid by the purchaser in addition to the sales price, nor to any mandatory gratuity or service charge
22 added by the restaurant to the sales price that does not exceed twenty percent of the sales price.

1 **§11-28-7. Wrongful and fraudulent use of funds; penalty.**

2 All food and beverage tax collections are considered in trust for the county or municipality
3 imposing the applicable tax. The wrongful and fraudulent use of the proceeds other than remittance
4 to the county or municipality as provided by this article constitutes embezzlement pursuant to section
5 twenty, article three, chapter sixty-one of this code and is subject to the criminal penalties of that
6 section.

7 **§11-28-8. Apportionment.**

8 If a business is located partially within two or more local jurisdictions because of a boundary
9 line that passes through the place of business, and one or more of the local jurisdictions imposes the
10 food and beverage tax, the tax rate of each applicable local jurisdiction shall be apportioned between
11 the local jurisdictions. The apportionment shall be based upon the area in the political subdivision
12 which the place of business actually occupies and actively uses in connection with the business.

NOTE: The purpose of this bill is to establish a procedure by which local governments may be authorized to levy a sales tax on food and beverages sold at restaurants. The bill providing for county and municipality options. The bill limits the total tax to three percent. The bill limits a municipal tax to two percent. The bill sets forth the procedures for counties and municipalities to use to impose the tax. The bill requires publication. The bill sets forth how the collected tax may be used. The bill sets forth apportionment of the tax between local jurisdictions. The bill sets forth exemptions from the tax. The bill defines terms. The bill provides criminal penalties.

This article is new; therefore, it has been completely underscored.