

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 3, 2013

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: RASHAD M. YOUNG, CITY MANAGER /s/

Introduction and First Reading. Consideration. Passage on First Reading of an Ordinance to Increase the City's Cigarette Tax

ISSUE: Consideration of an ordinance (attached) to increase the City's cigarette tax rate from \$0.80 to \$0.90 per pack.

RECOMMENDATION: That City Council approve the proposed ordinance on first reading on April 9, 2013, and set it for public hearing on Saturday, April 13, and second reading and final passage on Monday, May 6.

BACKGROUND: The City currently has a \$0.80 tax per pack of cigarettes sold in Alexandria, which has been in effect since May 2009, when the City raised its tax rate from \$0.70 to \$0.80 per pack.

The following chart shows the current tax rates for all of the jurisdictional members of the Northern Virginia Cigarette Tax Board:

Locality	Tax Rate
City of Alexandria	\$0.80
Arlington County ¹	0.30
Fairfax County	0.30
City of Fairfax	0.85
City of Falls Church	0.75
City of Manassas	0.65
Town of Clifton	0.30
Town of Dumfries	0.60
Town of Haymarket	0.50
Town of Hillsboro	0.50
Town of Herndon	0.75
Town of Leesburg	0.75
Town of Lovettsville	0.40
Town of Middleburg	0.55

¹ Arlington County is not a member of the Northern Virginia Cigarette Tax Board and handles its own tax collection.

Town of Purcellville	0.65
Town of Round Hill	0.15
Town of Vienna	0.75
Town of Warrenton	0.15

Throughout the Commonwealth of Virginia the major cities have long utilized the cigarette tax as a source of revenue. The following chart identifies the tax rates of the largest cities in Virginia. Counties in Virginia (except Arlington and Fairfax Counties, which can and do levy a \$0.30 tax rate) are prohibited from levying a cigarette tax.

Locality	Tax Rate
Chesapeake	\$0.50
Newport News	0.65
Hampton	0.65
Portsmouth	0.50
Virginia Beach	0.50
Norfolk	0.65
Roanoke	0.54

DISCUSSION: The Manager's Proposed FY 2014 Budget included a proposal to increase the tax by \$.10. Each tax rate increase of \$0.10 is budgeted to increase revenue by \$0.3 million, from \$2.6 million in FY 2013 to FY \$2.9 million in FY 2014. It is possible that an increase in the cost of a pack of cigarettes in Alexandria will result in a decline in the number of packs sold in the City. As cigarette prices increase there has historically been a falloff in cigarette usage. Therefore, a higher overall cigarette tax could contribute to improve City residents' general health status, which could impact City residents' health in a positive way.

FISCAL IMPACT: In FY 2012, the City collected \$2.6 million in cigarette tax revenue. The City is projected to collect \$2.6 million in FY 2013. It is expected that an increase of \$0.10 in the tax rate will generate \$334,000 in additional revenue in FY 2014.

ATTACHMENT:

1. Proposed Tobacco Tax Rate Ordinance Cover
2. Proposed Tobacco Tax Rate Ordinance

STAFF:

Laura Triggs, Chief Financial Officer
Nelsie L. Smith, Director, OMB
Morgan Routt, Assistant Director, OMB