

CITY OF CHARLOTTESVILLE, VIRGINIA
CITY COUNCIL AGENDA



Agenda Date:	April 12, 2022 (1 st Reading) April 18, 2022 (2 nd Reading)
Action Required:	Approval of Meals Tax Ordinance
Presenter:	Michael C. Rogers, Interim City Manager
Staff Contacts:	Krisy Hammill, Sr. Budget and Management Analyst
Title:	Amendment to City Code Sec. 30-451, Meals Tax Ordinance Change

Background:

The City currently levies a 6% meals tax on the purchaser of every meal sold in the city by a restaurant or caterer. The current rate has been in place since fiscal year 2020. As part of the FY 2022 budget, an increase of 0.5% is proposed, raising the tax rate to 6.5%. The City estimates that this change will bring in an additional \$1.25 million in revenue for FY 2023.

Discussion:

The meals tax is paid by consumers of prepared hot foods sold for immediate consumption on and off a premises including restaurant and grocery store food bars. This tax does not apply to foods purchased for home consumption and preparation, which are taxed at 2.5%. Meals tax revenue continues to grow. Originally budgeted at \$12.8 million in FY 2022, meals tax revenue is projected at \$15.4 million for FY 2023 before the proposed increase to 6.5%.

Community Engagement:

There are several opportunities for the community to provide input into the budget with several public hearings on the budget and a few minutes reserved at the end of each budget worksession for public comment and input, along with the Community Budget Forum. In addition, this ordinance change has already been advertised to the public, via a legal ad in the Daily Progress, and a public hearing was conducted by City Council on the proposed increase on March 23, 2022.

Alignment with City Council's Vision and Strategic Plan:

The new revenue supports several initiatives that are included in the City's Strategic Plan including strong emphasis on affordable house, education, and supporting our employees. More information on the City's Strategic Plan can be found at <http://www.charlottesville.org/strategicplan>.

Budgetary Impact:

Staff estimates that the rate change will generate an additional \$1.25 million in FY 2023 revenue and is included in the in the revenue totals presented as part of the FY 2023 Budget Ordinance being considered by Council for approval on April 12, 2022.

Alternatives:

Council could elect not to raise the meals tax rate at this time, or approve a different rate increase. If that's the case, staff will have to identify additional revenue or expenditure reductions in order to balance the budget.

Recommendation:

Staff recommends approval of the ordinance change, increasing the rate from 6% to 6.5%.

Suggested motion: "I move to approve the ORDINANCE amending and reenacting City Code Section 30-283, to increase the meals tax rate from 6 percent to 6-and-one-half percent"

Attachments:

Ordinance

ORDINANCE

**Amending, reenacting and reordaining Chapter 30 of the City Code, Section 30-283,
to increase the meals tax**

BE IT ORDAINED BY THE COUNCIL OF THE CITY OF CHARLOTTESVILLE, VIRGINIA, that Chapter 30 (Taxation) Article X (Meals Tax), Section 30-283 of the Code of the City of Charlottesville (1990), as amended, is hereby amended, reenacted and reordained, as follows:

Sec. 30-283. Levied.

(1) In addition to all other taxes and fees of any kind now or hereafter imposed by law, a tax is hereby levied and imposed on the purchaser of every meal sold in the city by a restaurant or caterer. The rate of this tax shall be ~~six (6)~~ *six and one-half* percent (*6.5%*) of the amount paid for the meal. There shall be no tax if the total amount paid is less than thirteen cents (\$0.13); on larger amounts a fractional cent of ~~tax due~~ shall be rounded to the next higher cent.

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BE IT FURTHER ORDAINED that the meals tax increase effectuated by this Ordinance shall be effective **July 1, 2022**.