

## New Study: Meals Tax Hikes Could Starve Virginia Localities

**B**eacon Hill report finds lost jobs, millions of dollars in lost consumer income from tax hikes

In August, VRLTA, in partnership with the National Restaurant Association, called attention to a new report estimating the impact of meals tax increases in Virginia localities. The research, conducted and released by the Beacon Hill Institute for Public Policy Research in Massachusetts, found that Virginia localities would see steep declines in investment and consumer income, as well as job loss, should local meals taxes be increased or enacted.

The Beacon Hill Institute study used a four percent meals tax, or a four percent increase in the selected locality's meals tax, as a metric. The study arrived as lawmakers in some Virginia counties and cities debate an increase in their meals tax.

### In historic Williamsburg, Virginia...

...the city council increased the city's meals tax from five percent to 6.5 percent, as well as added an increase in hotel taxes and a new admissions tax, in order to finance a tourism development fund. Using the study's model, we can reasonably expect that 1.5 percent meals tax increase that Williamsburg just approved will result in roughly 60 lost jobs, nearly \$1 million in lost investment, and over \$4 million in lost real disposable income.

In other cities, such as Alexandria, another tourist destination, a four percent increase in the meals tax would result in roughly 530 lost jobs, \$8 million in lost investment, and over \$38 million in lost disposable income.



### Larger counties within Virginia...

...would experience the largest impacts. Just over 2,000 jobs would be lost in Fairfax County, over 1,000 jobs in Arlington County, and roughly 650 jobs in Loudoun County. In these

three counties, investment would fall by \$39 million, \$16 million, and \$12 million respectively. Real disposable income would fall by \$200 million, \$77 million, and \$63 million for these same counties.

In fiscal year 2016, over 70 of Virginia's cities and towns and 45 counties imposed a meals tax, averaging five percent across all localities. The state of Virginia authorizes counties to levy a meals tax of up to four percent, with the approval of voters in a referendum. Some counties and all cities in Virginia are allowed to levy a meals tax without a voter referendum.

Voters in Virginia's counties have rejected meals taxes in 47 of the last 60 referendums, with 57.4 percent of all votes cast against a meals tax.

### Meal tax increases...

...continue to be an unpopular avenue for increasing local tax revenues, as indicated by overwhelming voter sentiment. The restaurant industry continues to be an industry of lower profit margins. Adding a meals tax further exacerbates this trend. With the numbers learned during this study, and with Virginia restaurants employing more than 360,000 individuals across the state, we can say with a high degree of certainty that adding or increasing a tax on restaurants would reduce the number of jobs, investment, and disposable income.

The full study can be found at [VRLTA.org/BHI\\_MealsTax](http://VRLTA.org/BHI_MealsTax).



RESTAURANTS ■ MULTI-FAMILY ■ REMODELS ■ INTERIORS ■ TENANT



**BUILD IT, SERVICE IT**

NO WONDER OUR CLIENTS LOVE US!

[TECH24CONSTRUCTION.COM](http://TECH24CONSTRUCTION.COM)

1.800.820.7194

5256 EISENHOWER AVE.  
ALEXANDRIA, VA 22304