

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 11, 2005

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: BUDGET MEMO # 41 : SALES TAX REDUCTION FOR GROCERY FOOD

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This memorandum responds to Councilman Gaines' request for information on the local impact of the recent sales tax reduction for food purchased in grocery stores and other retail establishments.

Recent General Assembly action to amend § 58.1-611.1 of the Virginia Code resulted in a reduction in the sales tax on food items, which will take effect on July 1, 2005. The tax rate on food items will be 2.5 cents compared to the rate on all non-food items of 5 cents.

The reduction on the tax rate for food items does not effect the one cent of sales tax dedicated to local governments, therefore the reduction has no impact on local governments. The reduction in the State sales tax on food also does not impact the 5% sales tax or 3% City tax on prepared foods such as sold in restaurants.