

## Meals Tax FAQs

The past week we've been receiving your questions via our social media ([Facebook](#) and [Twitter](#)), but in the interim we've seen these high-quality investigations and want to signal boost:

### [RVA Dirt's Jessee Perry](#)

- Funding alternatives, including a "spread the burden" option
- Math behind meals, real estate, admissions, and cigarette tax
- Investigation in to the government efficiencies argument
- Update on the debt capacity situation
- Recap of last year's exhaustive budget debate

### [RTD's Justin Mattingly](#)

- Alternative tax plans
- Henrico County meals tax
- People supporting and opposing
- History of the problem and facilities plan
- School facilities referendum update
- What happens if the proposal passes or fails

### [Style Weekly's Brent Baldwin Q&A with Mayor Stoney](#)

- Transparency questions
- Impact to small businesses or low-income residents
- AAA bond rating
- Limited scope of funding compared to needs
- Role of race
- School facilities referendum
- State advocacy efforts
- Public housing needs
- Alternatives such as cigarette tax

The following are all the other questions we received not covered in the previous documents:

### **What is the impact to restaurants, especially small business and an industry that lives on a small margin?**

In 2008, the City Council proposed to raise the meals tax 1 cent to pay for Centerstage. As noted in this [Richmond Magazine article](#), an eerily similar discussion occurred. According to the [U.S. Census Bureau](#), City of Richmond "Accommodation and Food Services" jobs grew from 9,262 (2008) to 11,335 (2018), an increase of 2,073.

Dominic Barrett, Director of Shalom Farms, penned this [pro-meals tax article](#) for Cheats Movement and RVA Magazine was at the Richmond Restaurant Alliance meeting to gather [anti-meals tax thoughts](#).

There are two main meals tax-related costs for restaurants:

1. Credit card transaction fees paid by the restaurant to the credit card company as a percent of the gross purchase by each restaurant guest. A meals tax increase will increase the gross receipt, and the transaction

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fee (3%) is calculated accordingly. Restaurants face slim margins, and this is an expense incurred without reimbursement by the city (meals tax) or state (sales tax). This cost is not incurred if guests pay with debit or cash.

2. Credit card transaction fees (3%) paid by the restaurants to the City as a percent of the total tax payment submitted through the City's website. This can be avoided by paying with a mailed check.

Long-term, the main determinant for restaurant location and health, are the presence of households. The largest factor on household attraction and retention is schools. Read Richmond Association of Realtors CEO [Laura Lafayette thoughts](#) in the RTD.

### What other cities in Virginia use meals tax? What percent?

[Justin Mattingly](#) covered the Richmond region, Hampton and Newport News (7.5%), and referenced this UVA Weldon Cooper Center survey of local government taxes ([page 235](#)).

Rate	Number of Localities			
	Cities	Counties	Towns	Total
1 to 2%	0	1	3	4
2.1 - 3%	0	0	4	4
3.1 - 4%	5	46	30	81
4.1 - 5%	3	0	44	47
5.1 - 6%	16	0	18	34
6.1 - 7%	10	0	10	20
7.1 - 8%	4	0	4	8
Total	38	47	113	198
Median rate	6%	4%	5%	4%

Additionally, at the Compact meeting Davenport mentioned ([1:02](#)) Cincinnati and Nashville that used revenue methods not permitted under the current legal tools for Richmond.

### Do VCU food courts pay meals tax?

No. City is not permitted by law to collect meals tax for VCU owned land.

### Why should we expect non-residents to fund RPS? Shouldn't we be responsible enough to fund our own schools?

Due to the annexation limitations, and a history of white supremacy in shaping the region, Richmond residents bear an overdue burden. According to [Richmond staff](#), \$0.36 of \$1.20 real estate taxes paid by residents go to subsidize non-taxable land (state government, medical providers, and universities). City residents alone will never carry the burden of funding. Here are four possible strategies to have a more regional equitable distribution of dollars:

1. Strategic investments to attract outsiders to spend money in Richmond.
2. Collect money from state government, medical providers, or universities in the city.

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3. Regional model of revenue sharing.
4. Annexations of Chesterfield and Henrico counties to allow for an expansion of Richmond to capture commercial and industrial land.

### **How will any of this investment increase the quality of education? Should our schools be large or small? Community schools and increased diversity? What are the goals for achievement?**

All great questions that don't have answers. With Superintendent Kamras on the job, I'll be expecting the School Board - who is tasked with answering these questions - to come up with a strategic plan and measurables. Politically, it would be almost impossible for Richmond to fund the remaining \$700M of a facilities plan without these answers in place. Check out what RVA Politics [Rich Meagher writes](#) for a response to this question.

### **How will this be transparent so we can track whether it's going to school facilities?**

As mentioned at the Compact meeting, there will be a specific account for the 1.5% meals tax revenue to be allocated for school facilities. This will show up on the annual CAFR to allow for citizens to check for accountability.

### **Why was this not vetted through the education compact?**

Time. With the team recently formed and the compact yet to meet, the Mayor needed to introduce this at the beginning of budget season. For future years, government best practices would have major capital investments decided in the fall.

### **We've been talking about facilities for years, why are City Council members upset with how quick this is going? Or, why is the Mayor pushing this through so quickly?**

For City Council, the concerns to delay for additional public input are either genuine or tactical. On one side, these Council members are receiving a lot of input and this vote will determine the future of \$150M. That's a pile of money. On the other hand, it's a Richmond traditional to shoot holes in any movement forward.

For the Mayor, it's the middle of budget season and he wants to know if the the meals tax - identified as the lowest hanging fruit - is going to be possible. If not, he'll have to work quickly to find other options as his balanced budget is due to Council my March 6th. Read [Ross Catrow's latest Good Morning RVA post](#) for timeline information.

### **When do we expect to be able to move forward with plans, financing, and construction if this meals tax gets approved soon?**

For the money, revenues cannot be spent until July 1st. School Board will have to update their list of schools to be constructed as the \$150M is \$74M short of what they originally requested.

How they spend the money will depend on scheduled construction. If publically constructed, they'll follow the timeline presented by school administration. If privately constructed through PPEA, QZAB, historic tax credits, or performance energy contracts, work could begin earlier. Read the Money for School Facilities document for more information.

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### **Does it go far enough? How will we raise money for regional transportation and public housing? Why aren't we funding the entire facilities plan?**

1.5% meals to generate \$150M doesn't go far enough, as [mentioned by Mayor Stoney](#). A reason for the shortfall may be the incomplete school facilities plan (years 6 to 20 unknown) and [Richmond 300](#) (master plan for the city guiding all capital investment).

Politically, this is the question for the Mayor. Did he exhaust his political will fighting for meals? Will the Realtors and Chamber stick with him when cigarette, business, or real estate taxes are tapped?

Only time will tell.