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# TAX BULLETIN 18-3

## *Virginia Department of Taxation*

May 11, 2018

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### **RETAIL SALES AND USE TAX RATE INCREASE IN THE CITY OF WILLIAMSBURG AND THE COUNTIES OF JAMES CITY AND YORK**

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The Retail Sales and Use Tax (“RSUT”) is imposed at a total combined rate of 5.3 percent statewide. The tax consists of a 4.3 percent state tax and a 1.0 percent local option tax. In the Northern Virginia and Hampton Roads regions, an additional 0.7 percent regional state tax is imposed to fund transportation, resulting in a combined rate of 6.0 percent in localities in these two regions. See Public Document 13-103 for more information regarding the 0.7 percent regional tax in Northern Virginia and Hampton Roads.

Effective July 1, 2018, there will be an additional one percent regional sales and use tax levied in the City of Williamsburg and the Counties of James City and York (the “Historic Triangle”). This additional tax is authorized by Senate Bill 942 (*2018 Acts of Assembly*, Chapter 850). The total rate of the RSUT in these localities will increase to 7.0 percent, consisting of the 4.3 percent state tax, the 0.7 percent Hampton Roads regional tax, the new 1.0 percent Historic Triangle regional tax, and the 1.0 percent local option tax. The rate of tax on food purchased for home consumption is unaffected by the law change and will remain at the current 2.5 percent (1.5 percent state and 1 percent local) rate.

Sales made on or after July 1, 2018 will be subject to the new tax rate. Items delivered to a purchaser and paid for on or after July 1, 2018 will be taxed at the 7.0 percent rate, regardless of when the property was ordered. The increased rate will not apply to property delivered prior to July 1, 2018, but paid for on or after July 1, 2018. Also, the increased rate will not apply when a taxable sale or lease payment is paid for in full prior to July 1, 2018, even though delivery may occur on or after July 1, 2018, or the paid-in-full lease payment covers a lease period beginning on or after July 1, 2018.

#### **Sourcing Rules**

The 1.0 percent Historic Triangle regional tax is sourced in the same manner as the local option sales tax and the 0.7 percent regional sales tax that applies in Northern Virginia and Hampton Roads. For intrastate sales, the local option sales tax is generally sourced to the city or county of the place of business of the dealer collecting the tax. In-state dealers should collect the new additional 1.0 percent tax applicable to the Historic Triangle region as well as the 0.7 percent regional tax applicable to the Hampton Roads

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region on sales made in places of business located in the Historic Triangle region, even if the goods are delivered outside the Historic Triangle region. Likewise, in-state dealers not located in the Historic Triangle region should not collect the new additional tax, even if the goods are delivered into the Historic Triangle region.

1. When tangible personal property is purchased at the place of business of the seller, the sale is sourced to that place of business, even if the goods are ultimately delivered to the purchaser at another location.

Example 1:

Dealer A makes a sale to a customer on July 1, 2018 at his place of business in the City of Williamsburg. The sale is sourced to the City of Williamsburg. Dealer A should collect 7.0 percent (4.3 percent state, 1.7 percent regional, and 1.0 percent local) sales tax on the purchase.

Example 2:

Dealer B makes a sale to a customer on July 1, 2018 at his place of business in James City County. Dealer B has the goods shipped to the customer's home in the City of Roanoke. The sale is sourced to James City County. Dealer B should collect 7.0 percent (4.3 percent state, 1.7 percent regional, and 1.0 percent local) sales tax on the purchase.

Example 3:

Dealer C makes a sale to a customer on July 1, 2018 at his place of business in the City of Norfolk, but the goods are delivered to the customer in York County. The sale is sourced to the City of Norfolk. Dealer C should collect 6.0 percent (4.3 percent state, 0.7 percent regional, and 1.0 percent local) sales tax on the purchase.

2. When tangible personal property is purchased remotely (by telephone, Internet, or mail order) from an in-state dealer with a place of business in Virginia, the sale is sourced to the location in which the order was first taken, even if the goods are ultimately delivered to the Customer at another location.

Example 4:

Customer D orders merchandise from Dealer E on August 1, 2018 by placing a call to Dealer E's store, located in the City of Newport News. The goods will be shipped to Customer D's home in the City of Williamsburg. The sale is sourced to the City of Newport News. Dealer E should collect 6.0 percent (4.3 percent state, 0.7 percent regional, and 1.0 percent local) sales tax on the purchase.

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Example 5:

Customer F orders merchandise from Dealer G on August 1, 2018 by placing a call to Dealer G's store, located in the City of Williamsburg. The goods will be shipped to Customer F's residence in the City of Norfolk. The sale is sourced to the City of Williamsburg. Dealer G should collect 7.0 percent (4.3 percent state, 1.7 percent regional, and 1.0 percent local) sales tax on the purchase.

3. When tangible personal property is purchased remotely from an out-of-state dealer registered to collect the Virginia Retail Sales and Use Tax and is not received by the purchaser at the dealer's business location, the sale is sourced to the city or county of destination.

Example 6:

Customer H orders merchandise from Dealer I's website on August 1, 2018, which has a place of business and warehouse in North Carolina. Dealer I is registered to collect the Virginia Retail Sales and Use Tax. The invoice indicates that the merchandise will be shipped to Customer H's residence in the City of Williamsburg. Because Dealer I's place of business and warehouse are located outside of Virginia, the sale is sourced to the location where the merchandise is delivered, the City of Williamsburg. Dealer I should collect 7.0 percent (4.3 percent state, 1.7 percent regional, and 1.0 percent local) sales tax on the purchase.

4. When tangible personal property is leased from an in-state lessor, the sale is sourced to the lessor's place of business.

Example 7:

Customer K enters into a rental agreement with a lessor with a place of business in James City County. The equipment will be used for a highway construction project in Fairfax County. The sale is sourced to the lessor's place of business in James City County. The lessor should collect the tax at the rate of 7.0 percent (4.3 percent state, 1.7 percent regional, and 1.0 percent local).

**Consumer Use Tax**

When goods are purchased from a business that does not collect the Virginia RSUT or goods are purchased tax-free while outside Virginia and brought into Virginia, the sale is generally subject to the Consumer Use Tax, including the regional use tax.

**Retail Sales and Use Taxation of Transient Accommodations**

The new regional RSUT applies to rentals of accommodations to transients on and after July 1, 2018. Accommodations i) furnished to transients on or after July 1, 2018, and ii)

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paid for on or after July 1, 2018, are taxed at the 7.0 percent rate in the Historic Triangle region, regardless of when the rental was reserved. The increased tax rate will not apply to accommodations furnished to transients prior to July 1, 2018, but paid for on or after July 1, 2018; nor will it apply when the accommodations are paid for in full prior to July 1, 2018, even if the accommodations are not furnished to the transient until on or after July 1, 2018.

Example 8:

Customer O reserves a stay in a summer rental house in the City of Williamsburg for the first week in October 2018. Customer A makes the reservation and pays for the accommodation in full on June 15, 2018. Even though the accommodation will not be furnished to Customer A until after July 1, 2018, as the accommodation is paid in full prior to July 1, 2018, the accommodation is subject to the Retail Sales and Use Tax at the rate of 6 percent (4.3 percent state, 0.7 percent regional, and 1.0 percent local). The accommodation would not be subject to the Historic Triangle region tax increase.

Example 9:

Customer P reserves a stay in a bed and breakfast inn in York County for the first week in August 2018. Customer P makes the reservation and pays a deposit on June 15, 2018. Customer P pays the remaining amount at the end of the stay in August. As the accommodation was furnished to Customer P after July 1, 2018, and paid in full after July 1, 2018, the accommodation is subject to the Retail Sales and Use Tax at the increased rate of 7 percent (4.3 percent state, 1.7 percent regional, and 1 percent local).

**Filing of Returns**

The regional Retail Sales and Use Tax will be reported on dealers' Retail Sales and Use Tax and Business Consumer's Use Tax returns. The Department will make the revised returns available in June 2018. Returns for April, May, and June 2018 are not affected by the legislation. Monthly filers should use the new returns for periods beginning with the month of July 2018. Quarterly filers should begin using the new forms for the quarter ending September 2018

**Additional Information**

This Tax Bulletin is available on-line in the [Laws, Rules & Decisions](#) section of [www.tax.virginia.gov](http://www.tax.virginia.gov). If you have any questions regarding this Tax Bulletin, please contact the Department of Taxation Office of Customer Services at (804) 367-8037.