

DEPARTMENT OF TAXATION

2001 Fiscal Impact Statement

1. **Patron** Katzen

3. **Committee** Senate Finance

4. **Title** Retail Sales and Use Tax: Expand Exemption
for Colleges and Other Institutions of Learning

2. **Bill Number** HB 2548

House of Origin:

 Introduced

 Substitute

 Engrossed

Second House:

 X **In Committee**

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would expand a current exemption from the retail sales and use tax to include purchases of textbooks by students attending for-profit colleges and other for-profit institutions of learning. The current exemption applies to textbooks purchased by students attending nonprofit colleges and other institutions of learning.

The exemption created by this bill would be effective July 1, 2001.

6. **Fiscal Impact Estimates are:** Tentative.

Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2001-02	(\$384,000)	N + F
	(\$112,300)	Local
2002-03	(\$429,900)	N + F
	(\$125,700)	Local

7. **Budget amendment necessary:** Yes.

Page 1, Revenue estimates.

8. **Fiscal implications:**

This bill would have a negative impact on General Fund, Transportation Trust Fund, and local revenues. The negative revenue impact for this bill is estimated to be \$496,300 (state: \$384,000; local: \$112,300) in fiscal year 2002 and \$555,600 (state: \$429,900; local: \$125,700) in fiscal year 2003.

This estimate is based on data provided by the Virginia Association of Private Career Schools (VAPCS), which represents most of the for-profit schools in Virginia. Information provided by VAPCS resulted in an estimate of average per campus annual book purchases of \$133,100. This number was multiplied by the total number of for-profit schools (90), as reported in the 1999 Digest of Educational Statistics, to calculate total taxable purchases.

This bill would result in minimal administrative costs for forms revision and taxpayer education expenses.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: None.

11. Other comments:

This bill would exempt from the retail sales and use tax school textbooks sold to students attending for-profit colleges and for-profit institutions of learning. Under the current exemption, only students attending nonprofit colleges or other nonprofit institutions of learning can purchase required textbooks exempt of the tax.

Currently, the exemption applies to textbooks sold by (1) the school itself, or (2) by any other dealer (such as privately operated bookstores). Further, the exemption applies to textbooks that have been certified by a department or an instructor of a school as required textbooks for students attending courses at that school. The current exemption is limited to required textbooks and does not extend to school supplies, laboratory equipment, personal computers or other items sold to students. This bill would not affect the types of items eligible for the current exemption.

Colleges or other institutions of learning – Institutions of learning include educational organizations, which are similar to a college in their manner of operation. Under the department's regulation, to qualify as an "other institution of learning," an organization must employ a professionally trained staff, enroll and graduate students on the basis of academic achievement, prescribe courses of study, and provide instruction at regular intervals over a reasonable period of time. These criteria have been upheld by the Virginia Supreme Court in Commonwealth of Virginia v. The Progressive Community Club of Washington County, Virginia, Inc., (1975).

This bill would not affect the department's policy regarding institutions of learning. Provided that the for-profit entity meets these criteria, this bill would exempt textbook sales to students attending for-profit business schools, trade schools, and technical schools.

cc: Secretary of Finance

Date: 2/5/01/wbs

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