

DEPARTMENT OF TAXATION 2002 Fiscal Impact Statement

1. Patron: Miller, K.G.

2. Bill No: SB 20

3. Committee: Passed House and Senate

House of Origin:

 Introduced

 Substitute

 Engrossed

4. Title: Retail Sales and Use Tax Exemption:
Extend the Sunset Dates for Certain
Educational-Related Exemptions for
Various Nonprofit Organizations

Second House:

 In Committee

 Substitute

 X **Enrolled**

5. Summary/Purpose:

This bill would:

- Extend for one year, from July 1, 2002 to July 1, 2003, the sunset date for certain educational-related (§ 58.1-609.4) retail sales and use tax exemptions for various nonprofit organizations.
- Establish a July 1, 2003 sunset date for the retail sales and use tax exemption for: (1) nonprofit colleges and other institutions of learning under Code of Virginia § 58.1-609.4(2)(i), and (2) noncommercial educational telecommunication (ETV) entities under Code of Virginia § 58.1-609.4(2)(ii).
- Extend for two years, from July 1, 2001 to July 1, 2003 the sunset date for the medical-related (§ 58.1-609.7(20) retail sales and use tax exemption for medical products and supplies, which are otherwise taxable, such as bandages, gauze dressings, incontinence products and wound-care products, when purchased by a Medicaid recipient through a Department of Medical Assistance Services provider agreement.

6. No Fiscal Impact. (See Line 8).

7. Budget amendment necessary: None.

8. Fiscal implications:

There will be no revenue impact associated with extending the exemptions provided in this bill. This bill would not necessitate a budget amendment as the official estimates assume the extension of all expiring exemptions.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: None.

11. Other comments:

The retail sales and use tax exemption for colleges and other institutions of learning under Code of Virginia § 58.1-609.4(2) was enacted in 1966 without a sunset date. In 1977, legislation was enacted to set out a separate exemption for ETV entities under Code of Virginia § 58.1-609.4(2)(ii). The exemption was later expanded to include tangible personal property sold by or donated to ETV entities. This bill would establish a July 1, 2003 sunset date for these exemptions.

This bill would also extend the sunset dates for 30 educational-related exemptions to July 1, 2003. The exemptions are scheduled to expire July 1, 2002.

Code of Virginia § 30-19.05 establishes a schedule for reviewing all exemptions from the retail sales and use tax for nonprofit organizations. The schedule for review coincides with the sunset date established for each exemption category. Exempt nonprofit organizations are required to file with the Department of Taxation updated information relating to the operation and administration of the organization on a five-year cycle.

Nonprofit organizations qualifying for the educational-related exemptions were required to submit updated information in July 2000, along with all other exempt nonprofit organizations. These same educational-related organizations were required to submit updated information again by July 1, 2001, for review by the 2002 General Assembly. Under Code of Virginia § 30-19.05, the next filing due date for educational-related exemptions is scheduled for July 1, 2006.

House Bill 1268 would extend from July 1, 2002 to July 1, 2003, the sunset dates for certain educational-related exemptions from the retail sales and use tax for various nonprofit organizations.

This bill would extend the sunset date for the medical-related exemption from the retail sales and use tax for medical products, and supplies such as bandages, gauze dressings, incontinence products and wound care products, when purchased by a Medicaid recipient through a Department of Medical Assistance Services (DMAS) provider agreement. This bill was enacted in 1995, and is supported by the durable medical equipment industry.

cc: Secretary of Finance

Date: 3/20/02/LFO

Document: S:/2002leg/WorkInProcess/OTPWork/SenateBills/SB0020FER161.DOC