

# DEPARTMENT OF TAXATION

## 2003 Fiscal Impact Statement

1. **Patron** Parrish

2. **Bill Number** HB 1754

3. **Committee** Senate Finance

**House of Origin:**

           **Introduced**

           **Substitute**

           **Engrossed**

4. **Title** Retail Sales and Use Tax Exemptions:  
Extend the Sunset Dates for Medical  
Related Nonprofit Organizations;  
New Exemption for Nonprofit Corporation  
Operating as a Museum and Gardens

**Second House:**

  X   **In Committee**

           **Substitute**

           **Enrolled**

### 5. **Summary/Purpose:**

This bill would extend to July 1, 2004, the sunset dates for certain medical-related (§ 58.1-609.7) retail sales and use tax exemptions for various nonprofit organizations. The exemptions are scheduled to expire July 1, 2003.

This bill would create a sales and use tax exemption for tangible personal property purchased by a nonprofit corporation operating as a museum and gardens and organized to (1) promote the appreciation of the fine arts; (2) establish, own, maintain, and operate an arts center to conform to standard museum practices; (3) display, sell, purchase, and own articles of art; (4) support the arts in the local school system; and (5) encourage local artists' participation in its programs. This exemption would expire July 1, 2006.

6. **Fiscal Impact Estimates are:** Tentative. (See Line 8.)

7. **Budget amendment necessary:** No.

### 8. **Fiscal implications:**

The value of the medical-related exemptions extended by this bill is estimated to be \$62.1 million (state: \$48.0 million; local: \$14.1 million) in FY 2004 and \$69.7 million (state: \$53.9 million; local: \$15.8 million) in FY 2005. Extending the sunset dates for these exemptions would not necessitate a budget amendment as the official budget estimates assume the extension of all these expiring exemptions. The administrative costs associated with this bill would be minimal.

#### New Exemption for Nonprofit Corporation Operating as a Museum and Gardens

It is known that one organization, MacCallum More Museum and Gardens, qualifies for this exemption. Based on information provided by this organization, it is estimated that this provision would have a minimum negative revenue impact of \$250 (state: \$190; local: \$60) in

FY 2004 and \$270 (state: \$210; local: \$60) in FY 2005. The negative revenue impact could increase if other organizations qualify for this exemption.

**9. Specific agency or political subdivisions affected:**

Department of Taxation

**10. Technical amendment necessary:** None.

**11. Other comments:**

This bill would extend to July 1, 2004, the sunset dates for 30 retail sales and use tax exemptions in the medical-related group. The exemptions are scheduled to expire July 1, 2003.

Senate Bill 742 would extend to July 1, 2004, the sunset dates for certain retail sales and use tax exemptions for nonprofit organizations in the educational and medical-related groups.

House Bill 1755 would extend to July 1, 2004 the sunset dates for 31 retail sales and use tax exemptions in the educational group.

cc : Secretary of Finance

Date: 02/05/03 GRM

Document: S:\2003leg\WorkInProgress\OTPwork\House Bills\hb1754FE161.doc