

**DEPARTMENT OF TAXATION
2003 Fiscal Impact Statement**

1. Patron Stosch

3. Committee Senate Finance

4. Title Retail Sales and Use Tax: Exemption for
Printed Materials

2. Bill Number SB 862

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would reinstate the retail sales and use tax exemption for printed material purchased by an advertising business from a Virginia printer for distribution outside Virginia. The exemption would include newspaper supplements purchased by an advertising business for placement in in-state or out-of-state publications.

The exemption would be effective beginning July 1, 2003, with a sunset date of July 1, 2008.

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

7. Budget amendment necessary: No.

8. Fiscal implications:

The value of this exemption is not known. This bill would not necessitate a budget amendment as the official budget estimates assume this exemption would remain in effect. If the exemption is not reinstated, revenues for fiscal year 2004 and fiscal year 2005 would be expected to increase by an unknown amount.

The administrative costs associated with this bill for taxpayer education expenses would be minimal.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

The exemption reinstated by this bill was originally enacted in 1995 in order to level the playing field between Virginia printers and out-of-state printers. Before the exemption was enacted, Virginia advertising businesses could purchase printed materials from out-of-state printers tax exempt but had to pay the tax on purchases made from Virginia printers, thus placing Virginia printers at a competitive disadvantage. The exemption had a sunset date of June 30, 1997, but the 1997 General Assembly extended the sunset date to June 30, 2002.

cc : Secretary of Finance

Date: 01/16/03\wbs

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