REVISED

DEPARTMENT OF TAXATION
2005 Fiscal Impact Statement

1. **Patron** Ryan T. McDougle

2. **Bill Number** HB 1876
   House of Origin:
   X **Introduced**
   _____ **Substitute**
   _____ **Engrossed**

3. **Committee** House Finance

4. **Title** Retail Sales and Use Tax: Eliminating the Estimated Payment for June Sales and Use Tax Liability

   Second House:
   _____ **In Committee**
   _____ **Substitute**
   _____ **Enrolled**

5. **Summary/Purpose:**

This bill would eliminate the requirement that dealers make estimated sales and use tax payments for the month of June on or before June 25th of each year.

This bill would be effective August 1, 2005.

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

Revenue Impact:

Fiscal Year	*Dollars*	*Fund*
2004-05	$0	GF
2005-06	<$226.0 million>	GF

7. **Budget amendment necessary:** Yes.
   Line 1, Revenue Estimates

8. **Fiscal implications:**

TAX would incur minimal administrative costs in Fiscal Year 2005 for systems modifications.

Eliminating the June 2006 accelerated sales and use tax payment would shift $226 million in state revenue from FY 2006 to FY 2007, which would reduce state revenues by $226 million in FY 2006. When the June 2006 loss of $226 million is shifted to July 2006 (Fiscal Year 2007), $197.8 million will be credited to the General Fund and $28.2 million will be credited to the Transportation Trust Fund.

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

Department of Taxation

10. **Technical amendment necessary:** No.

11. Other comments:

Current Filing and Payment Requirements

Virginia law requires sales and use tax dealers to file a return and pay the amount of sales and use taxes due on the return by the twentieth day of the month following each month period in which the taxable transactions occurred. The Tax Commissioner may also grant permission to taxpayers to file returns and pay the sales and use taxes due on the returns for periods less frequent than monthly. These returns are due on the twentieth day of the month following the close of the taxable period. Such taxpayers are generally allowed to file returns using a quarterly reporting period.

Dealers with taxable sales of $1.3 million and direct payment permit holders with over $1.3 million of purchases are required to make an additional estimated sales and use tax payment by June 25th of each year that is equal to 90% of the dealers previous June sales and use tax liability. The amount of this estimated payment is used as a credit to offset the actual sales and use tax due by July 20th.

The accelerated sales tax payment was enacted by the General Assembly in Chapter 1042, 2003 Acts of Assembly. It was effective retroactively to June 1, 2002.

This Proposal

This bill would eliminate the need for the accelerated payment of sales and use taxes for the month of June.

Similar Legislation

Senate Bill 872 and **Senate Bill 1010** are identical to this bill.

Senate Bill 709 is similar to this bill, except that Senate Bill 709 contains an emergency clause and would be effective upon passage. Senate Bill 709 would eliminate the June 2005 accelerated payment, thereby reducing state revenues by $187 million in FY 2005 and by a net amount of $65.7 million in FY 2006.

cc : Secretary of Finance

Date: 1/19/2005 S.M.
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