

**DEPARTMENT OF TAXATION
2005 Fiscal Impact Statement**

1. **Patron** Joe T. May

2. **Bill Number** HB 2466
House of Origin:

3. **Committee** Senate Finance

☐ **Introduced**
☐ **Substitute**
☐ **Engrossed**

4. **Title** Sales and Use Tax Exemption: School
Textbooks

Second House:
☒ **In Committee**
☐ **Substitute**
☐ **Enrolled**

5. Summary/Purpose:

This bill would provide a sales and use tax exemption for the purchase of school textbooks for use by students attending a for-profit college or for-profit institution of learning. Under current law, the exemption is limited to the purchase of school textbooks for use by students attending a nonprofit college or institution of learning.

The effective date of this bill is not specified.

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

Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2004-05	\$0	GF
	\$0	TTF
	\$0	Local
2005-06	<\$237,000>	GF
	<\$35,000>	TTF
	<\$69,000>	Local
2006-07	<\$263,000>	GF
	<\$38,000>	TTF
	<\$77,000>	Local
2007-08	<\$267,000>	GF
	<\$39,000>	TTF
	<\$78,000>	Local
2008-09	<\$273,000>	GF
	<\$40,000>	TTF
	<\$80,000>	Local

2009-10	<\$278,000>	GF
	<\$41,000>	TTF
	<\$82,000>	Local
2010-11	<\$285,000>	GF
	<\$42,000>	TTF
	<\$83,000>	Local

7. Budget amendment necessary: Yes.

Item(s): Page 1, Revenue Estimates

8. Fiscal implications:

By expanding the sales tax exemption, the total state and local revenue loss would be \$341,000 in Fiscal Year 2006, \$378,000 in Fiscal Year 2007, \$384,000 in Fiscal Year 2008, \$393,000 in Fiscal Year 2009, \$401,000 in Fiscal Year 2010 and \$410,000 in Fiscal Year 2011. These estimates are based on data supplied by the Virginia Association of Private Career Schools in 1998. More recent data is not available.

This bill would have no administrative impact on the Department

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

This bill would provide a sales and use tax exemption for the purchase of school textbooks for use by students attending for-profit colleges and for-profit institutions of learning. Under current law, the exemption is limited to the purchase of school textbooks for use by students attending a nonprofit college or institution of learning. Under this bill, for the sale of school textbooks to qualify for the exemption, the sales would have to meet the criteria currently applied to textbook sales for use by students in nonprofit schools and institutions of learning.

Scope of Sales – The exemption would only apply to sales made (1) by the school itself, or (2) by any dealer (such as privately operated bookstores). Further, the exemption would apply 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. It would be limited to required textbooks and would not extend to school supplies, laboratory equipment, personal computers or other items sold to students.

College or other institution of learning – TAX Regulation 23 VAC 10-210-4020 provides that institutions of learning include educational organizations that are similar to a college in their manner of operation. For instance, an “other institution of learning” 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. , 215 Va. 732 (1975).

Provided that the for-profit school meets the criteria, this bill would exempt textbook sales to students attending for-profit business schools, trade school, and technical schools.

cc : Secretary of Finance

Date: 2/8/2005 LDF

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