

DEPARTMENT OF TAXATION

2006 Fiscal Impact Statement

1. **Patron** David L. Englin

3. **Committee** House Finance

4. **Title** Retail Sales and Use Tax: Exemption for
Energy Efficient Products

2. **Bill Number** HB 390

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would provide an exemption from the retail sales and use tax for all tangible personal property that has been certified with an Energy Star label by the United States Department of Energy or the Environmental Protection Agency.

The effective date of this bill has not been specified.

6. **Fiscal Impact Estimates are:** Not Available. (See Line 8.)

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

8. **Fiscal implications:**

Administrative Costs Impact

TAX has not assigned any administrative costs to this bill because the changes required by a single bill such as this can be implemented as part of the annual changes to our systems and forms. As stand-alone legislation, TAX considers implementation of this bill as "routine," and does not require additional funding.

TAX will provide specific administrative costs on any legislation that is not "routine." Additionally, TAX will review all state tax legislation likely to be enacted prior to the passage by each house. If the aggregate number of routine bills likely to pass either house is unusually large, it is possible that additional resources will be required. If so, TAX will identify the costs at that time.

Revenue Impact

According the Energy Star website there are more than 40 categories of items that would be eligible for the exemption including, but not limited to, major appliances, home electronics and office equipment. According to the Energy Star's 2004 Annual Report, there was a 150% increase in Energy Star products sold between 2000 and 2004, which would indicate a rapid growing product. Also, 57% of all televisions, 78% of all VCR's,

and over 70% of all dehumidifiers sold are Energy Star compliant. This illustrates that the appliances not qualifying for this exemption are in the minority. Based on data obtained from the U.S. Census Product Line Sales in Virginia, it is conservatively estimated that revenue loss from this bill could potentially be over \$25 million annually.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Generally

This bill provides an exemption from the retail sales and use tax for all products sold that has been certified with an Energy Star label by the United States Department of Energy or the Environmental Protection Agency. Energy Star is a government/industry partnership formed in 1992 for the purpose of identifying and promoting energy efficient products. Computers and monitors were the first labeled products and in 1995 the Environmental Protection Agency expanded the label to include office equipment. In 1996 the EPA partnered with the US Department of Energy for particular product categories. Now Energy Star is labeling major appliances, office equipment, home electronics, new homes, and commercial and industrial buildings. Energy Star partners with more than 8,000 public and private organizations.

This Proposal

This bill would provide an exemption from the retail sales and use tax for all tangible personal property that has been certified with an Energy Star label by the United States Department of Energy or the Environmental Protection Agency. This a broad-based exemption that would apply to any tangible personal property that contains an energy star label, regardless of whether the purchaser is an individual or a business.

Similar Legislation

House Bill 130 provides a sales tax “holiday” for energy efficient products, with a \$1,500 purchase price per item, purchased between October 5, 2006 and October 8, 2006.

Senate Bill 63 provides sales and use tax refunds and grants to individuals and corporations for using clean and efficient energy and energy efficient products.

Senate Bill 270 provides a sales and use tax exemption and grants to individuals and corporations for using clean and efficient energy and energy efficient products.

cc : Secretary of Finance

