

# DEPARTMENT OF TAXATION

## 2006 Fiscal Impact Statement

1. **Patron** Leo C. Wardrup, Jr.

2. **Bill Number** HB 678

3. **Committee** House Finance

**House of Origin:**

X **Introduced**

       **Substitute**

       **Engrossed**

4. **Title** Publications Tax;  
Water Quality Improvement Fund

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

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

This bill would (1) impose a state tax at the rate of \$0.01 upon each newspaper, magazine, newsletter, or other publication published daily and delivered in the Commonwealth; (2) authorize the Tax Commissioner to promulgate rules and regulations for the implementation of the tax; (3) authorize the Tax Commissioner on behalf of the Tax Department to retain its administrative expenses when it determines the total amount of revenues generated by the tax and reports the same to the State Treasurer; and (4) credit the remaining amount to the Water Quality Improvement Fund.

The bill would be effective for taxable years beginning on and after January 1, 2007.

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

#### **Revenue Impact:**

<b><i>Fiscal Year</i></b>	<b><i>Dollars</i></b>	<b><i>Fund</i></b>
2005-06	\$0	NGF
2006-07	\$0	NGF
2007-08	\$4.6 million	NGF
2008-09	\$4.6 million	NGF
2009-10	\$4.6 million	NGF
2010-11	\$4.6 million	NGF
2011-12	\$4.6 million	NGF

### 7. **Budget amendment necessary:** Yes.

Item(s): 265, Department of Taxation

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

TAX would administer this as an annual tax, with the returns due some time after January 1, 2008. As such, TAX would incur costs of \$284,563 in FY 2008, \$3,470 in FY 2009, \$3,573 in FY 2010, \$3,680 in FY 2011, \$3,790 in FY 2012 to implement this bill. As TAX would incur substantial costs in Fiscal Year 2008 to implement this bill, before any

revenues from the new tax are collected, TAX would need a budget amendment to allow it to obtain a treasury loan that will be repaid when there have been sufficient funds collected. In addition, TAX would need a budget amendment to authorize it to retain funds collected for this tax to offset its administrative expenses.

It is estimated that this bill would generate approximately \$4.6 million annually of additional revenue for the Water Quality Improvement Fund.

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

Department of Taxation

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

**11. Other comments:**

Under current law, sales of newspapers published and delivered daily are exempt from the retail sales tax and the business, professional and occupational license tax.

This bill would impose a new state tax at the rate of \$0.01 upon each newspaper, magazine, newsletter, or other publication published daily and delivered in the Commonwealth. The Tax Commissioner would be authorized to promulgate rules and regulations for the registration of applicable newspaper publishers, the procedures for filing returns, and methods of paying the tax. The Tax Commissioner on behalf of the Department would be authorized to retain its administrative expenses for systems development, forms, wages, postage and printing from the revenues collected. The Department would report the total amount of revenues generated by the tax and its administrative costs to the State Treasurer. The amount remaining after subtraction of the Department's costs would be credited to the Water Quality Improvement Fund.

cc : Secretary of Finance

Date: 01/24/2006 KP  
DLAS File Name: HB678F161.doc