

**DEPARTMENT OF TAXATION  
2007 Fiscal Impact Statement**

1. **Patron** Thomas C. Wright, Jr.

2. **Bill Number** HB 1640

3. **Committee** Senate Finance

**House of Origin:**

☐ **Introduced**

☐ **Substitute**

☐ **Engrossed**

4. **Title** Retail Sales and Use Tax; Exemption for  
Alternative Fuel Burning Stoves

**Second House:**

☒ **In Committee**

☐ **Substitute**

☐ **Enrolled**

**5. Summary/Purpose:**

This bill would provide an exemption from the Retail Sales and Use Tax for multifuel heating stoves purchased for use in heating an individual purchaser's residence. "Multi-fuel heating stoves" are defined as stoves that are capable of burning a wide variety of alternative fuels, including, but not limited to, shelled corn, wood pellets, cherry pits, and olive pits. The exemption would expire on July 1, 2012.

The provisions of this bill would apply to transactions on and after July 1, 2007, but before July 1, 2012.

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

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

**8. Fiscal implications:**

Administrative Costs

TAX considers implementation of this bill as routine, and does not require additional funding.

Revenue Impact

The sales tax exemption proposed in this bill would have a negative impact on state and local revenues. As there is insufficient information available on sales volume of multi-fuel heating stoves to develop an estimate, the amount of this loss is unknown. TAX estimates that the loss would likely be minimal. Research indicates that pellet heating stoves represent a small fraction of heating stoves sold on the market, and that multi-fuel heating stoves represent only a small fraction of pellet heating stoves. As these stoves range in price from \$1,400 to \$3,000, this proposal would result in a revenue loss of \$70 to \$150 per unit sold. Assuming the maximum \$3,000 price, more than 3,000 units would have to be sold in Virginia before the revenue loss would reach \$500,000.

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

TAX

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

**11. Other comments:**

Generally

An exemption from the state Retail Sales and Use Tax is currently available for artificial or propane gas, firewood, coal or home heating oil used for domestic consumption. Localities have the option of also granting an exemption for the purchase of such fuels. The law permits any person who purchases these items for nondomestic use, and subsequently uses any portion of this purchase for domestic use to apply for a refund of the tax paid on the domestic use portion.

While the law permits an exemption on home heating fuels, there is no comparable exemption available for home heating devices. This bill would offer an additional benefit to individuals who make purchases of multifuel heating stoves beginning July 1, 2007 and ending July 1, 2012, by providing them with an exemption on the purchase of these items. Similar to the exemption offered for home heating fuels, only items that are used to heat the individual purchaser's residence would be eligible for exemption.

Surrounding States

Maryland appears to be the only state that has enacted similar legislation. Effective July 1, 2002, Maryland granted an exemption from the state's Retail Sales and Use tax on purchases of multifuel pellet stoves designed to burn agricultural field corn.

cc : Secretary of Finance

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