

DEPARTMENT OF TAXATION

2007 Fiscal Impact Statement

1. **Patron** John A. Cosgrove

3. **Committee** Senate Finance

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

2. **Bill Number** HB 1678

House of Origin:

☐ Introduced

☐ Substitute

☐ Engrossed

Second House:

☒ In Committee

☐ Substitute

☐ Enrolled

5. **Summary/Purpose:**

This bill would provide an annual three-day sales tax "holiday" during which energy efficient products purchased for noncommercial home or personal use with a sales price of \$2,500 or less per item could be purchased exempt of the Retail Sales and Use Tax. The sales tax holiday would take place each year on the first Friday, Saturday, and Sunday of October. Qualifying items would be required to meet the Energy Star Program requirements established by the Environmental Protection Agency and the U.S. Department of Energy.

This bill would authorize dealers to absorb the sales and use tax on all other items sold during the same time period, thereby relieving the purchasers of the obligation to pay such tax. Any dealer who absorbed the tax on non-qualifying items would be required to remit such tax to the Tax Commissioner.

The effective date of this bill is not specified.

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

6b. **Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2006-07	\$ 0	GF
	\$ 0	TTF
	\$ 0	Local
2007-08	\$ 87,000	GF
	\$ 13,000	TTF
	\$ 25,000	Local
2008-09	\$ 91,000	GF
	\$ 13,000	TTF
	\$ 27,000	Local

2009-10	\$ 98,000	GF
	\$ 14,000	TTF
	\$ 28,000	Local
2010-11	\$104,000	GF
	\$ 15,000	TTF
	\$ 30,000	Local
2011-12	\$112,000	GF
	\$ 16,000	TTF
	\$ 33,000	Local
2012-13	\$120,000	GF
	\$ 18,000	TTF
	\$ 35,000	Local

7. Budget amendment necessary: Yes.

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8. Fiscal implications:

Administrative Costs Impact

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

Revenue Impact

The sales tax exemption proposed in this bill is estimated to reduce revenues by at least \$125,000 in FY 2008, \$131,000 in FY 2009, \$140,000 in FY 2010, \$149,000 in FY 2011, \$161,000 in FY 2012, and \$173,000 in FY 2013. These estimates do not include the loss attributable to sales of ceiling fans, fluorescent light bulbs, and programmable thermostats due to lack of data.

9. Specific agency or political subdivisions affected:

TAX

10. Technical amendment necessary: No.

11. Other comments:

Current Law

The 2006 General Assembly enacted Senate Bill 262 (Chapter 939, 2006 Acts of Assembly), which established an energy policy for the Commonwealth. Senate Bill 262 provided a state personal income tax deduction available in the amount of 20% of the sales tax paid on certain energy efficient equipment or appliances, as well as qualifying fuel cells, gas heat pumps, central air conditions, advanced gas, oil or water heaters, oil

fired furnaces, and programmable thermostats. The law currently permits a maximum deduction of \$500.

Also, in 2006, Virginia held its first annual three-day sales tax holiday during the first weekend in August (Senate Bill 571 and House Bill 532 Chapters 579 and 593, 2006 Acts of Assembly). Qualifying school supplies with a sales price of \$20 or less per item and qualifying clothing items with a sales price of \$100 or less per item can be purchased exempt of the Retail Sales and Use Tax during the three-day period.

Proposal

This proposal would create a “sales tax holiday” for energy efficient products that are purchased for noncommercial home or personal use, and that have a sales price of \$2,500 or less per product. For purposes of this exemption, an energy efficient product is any dishwasher, clothes washer, air conditioner, ceiling fan, compact fluorescent light bulb, dehumidifier, programmable thermostat, or refrigerator, the energy efficiency of which has been designated by the United States Environmental Protection Agency and the United States Department of Energy as meeting or exceeding each such agency’s energy saving efficiency requirements or under its Energy Star Program.

Impact on Dealers

Virginia dealers making sales of energy efficient products would be required to reprogram their cash registers for the three-day “holiday” period to account for the exempt sales made during this period. Smaller retailers with less sophisticated systems may be unable to reprogram their systems to accommodate the exemption period. Retailers may incur significant administrative costs to administer this exemption.

Other States

The following states offered some form of a “sales tax holiday” specifically for energy efficient or energy saving products in 2006:

Connecticut: Connecticut enacted a 13-month sales tax holiday on energy-efficiency products and energy-efficient heating equipment. The holiday runs from June 1, 2006 to June 30, 2007, and applies to consumer purchases of insulation, programmable thermostats, water heater blankets, window film, window and door weather strips, caulking, water heaters, gas furnaces, windows that meet federal Energy Star Standards, and oil furnaces that are at least 85 percent efficient.

Florida: Florida provided a 7-day sales tax holiday for the purchase of energy efficient products.

Georgia: Georgia provided a sales tax holiday for purchases of energy efficient products of \$1500 or less for noncommercial home or personal use.

Similar Legislation

Senate Bill 867 would provide a four-day sales tax holiday period in October, during which certain Energy Star Qualified products with a sales price of \$2,500 or less could be purchased exempt of the Retail Sales and Use Tax.

House Bill 2167 would add computer systems with a selling price of \$1,500 or less per item and computers, computer hardware, computer software, or portable or handheld calculators with a selling price of \$500 or less per item to the list of items that are eligible for exemption during the existing three-day sales tax holiday period.

Senate Bill 1167 would provide an annual exemption from the Retail Sales and Use Tax, beginning in 2008, on certain hurricane preparedness equipment, purchased from May 25 through May 31. Items available for exemption would include portable generators with a selling price of \$1,000 or less per item and each other article of hurricane preparedness equipment with a selling price of \$60 or less.

cc : Secretary of Finance

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