

DEPARTMENT OF TAXATION

2007 Fiscal Impact Statement

1. **Patron** John C. Watkins

3. **Committee** House Finance

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

2. **Bill Number** SB 867

House of Origin:

☐ Introduced

☐ Substitute

☐ Engrossed

Second House:

☒ In Committee

☐ Substitute

☐ Enrolled

5. **Summary/Purpose:**

This bill would provide an annual four-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 begin each year on the Friday before the second Monday in October and end on the second Monday in October. Qualifying items would be required to meet energy saving efficiency requirements as 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	(\$115,000)	GF
	(\$ 17,000)	TTF
	(\$ 34,000)	Local

2008-09	(\$122,000)	GF
	(\$ 18,000)	TTF
	(\$ 36,000)	Local
2009-10	(\$130,000)	GF
	(\$ 19,000)	TTF
	(\$ 38,000)	Local
2010-11	(\$139,000)	GF
	(\$ 20,000)	TTF
	(\$ 41,000)	Local
2011-12	(\$149,000)	GF
	(\$ 22,000)	TTF
	(\$ 44,000)	Local
2012-13	(\$161,000)	GF
	(\$ 23,000)	TTF
	(\$ 47,000)	Local

7. Budget amendment necessary: Yes.

Page 1, Revenue Estimates

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 \$166,000 in FY 2008, \$176,000 in FY 2009, \$187,000 in FY 2010, \$200,000 in FY 2011, \$215,000 in FY 2012, and \$231,000 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:

To correct a technical drafting error, TAX suggests the following amendments:

Page 2, Line 71, after exceeding]

Strike: such requirements

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.

In addition to the 2006 state personal income tax deduction on energy efficient equipment or appliances, the 2006 General Assembly enacted Senate Bill 571 and House Bill 532 (Chapters 579 and 593, 2006 Acts of Assembly). These bills provided for an annual three-day sales tax holiday to take place during the first weekend in August. 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 bill 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 requirements under the Energy Star Program.

Impact on Dealers

Virginia dealers making sales of energy efficient products would be required to reprogram their cash registers for the four-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. In addition, retailers would be required to keep records to prove that the items sold, qualified for the exemption. 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

House Bill 1678 is substantively identical to this bill.

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, including 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.

Senate Bill 2167 would add computer systems with a sale price of \$1,500 or less per system and computers, computer hardware, computer software, and portable calculators with a sales price of \$500 or less per item to the list of items eligible for exemption during the "sales tax holiday period," which begins each year on the first Friday in August and ends on the Sunday immediately following.

cc : Secretary of Finance

Date: 2/9/2007 Initials: KP
DLAS File Name: SB867FE161.doc