

# DEPARTMENT OF TAXATION

## 2008 Fiscal Impact Statement

1. **Patron** William H. Fralin, Jr.

3. **Committee** House Finance

4. **Title** Retail Sales and Use Tax; Exemption for  
Certain Works of Art

2. **Bill Number** HB 1145

**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 the purchase of any work of art that meets all of the following requirements: 1) is sold for less than \$500; 2) has been substantially created in a county, city or town in which an art district exists; and 3) is sold within the actual art district. An art district is defined as "any area designated by a county, city or town in which there is a substantial presence of artists' studios or retail art sellers. This bill would also prohibit localities from having more than one art district, and would limit the total size of the art district to one-fourth of a square mile.

The effective date of this bill is not 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 proposal 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

The tax exemption proposed in this bill would result in a minimal revenue loss.

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

TAX

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

### **11. Other comments:**

Generally, objects of art, including paintings, sculptures, and models constitute sales of tangible personal property. The total charge for the property, including any labor or other components of such charge is typically subject to tax. An exemption is available on the sale of artistic products that have been created and sold by prisoners confined in state correctional facilities.

## Proposal

This bill would create an additional exemption for artwork, provided the work has been substantially created in a locality in which an art district exists, and sold within that art district for less than \$500. An art district is defined as any area designated by a county, city or town in which there is a substantial presence of artists' studios or retail art sellers. Currently, no localities have formally designated areas as "art districts." Thus, the decision to create an art district would be made by vote of a local governing body. Once a county, city, or town formally designates an area as an art district, that locality is precluded from designating any other areas within that locality as an art district. The total size of an art district is limited to one-fourth of a square mile.

cc : Secretary of Finance

Date: 1/28/2008 KP  
DLAS File Name: HB 1145F161