

**DEPARTMENT OF TAXATION
2008 Fiscal Impact Statement**

1. Patron Walter A. Stosch

2. Bill Number SB 5

3. Committee Passed House and Senate

House of Origin:

 Introduced

 Substitute

 Engrossed

4. Title Retail Sales and Use Tax: Exemption for
Printed Materials

Second House:

 In Committee

 Substitute

 X **Enrolled**

5. Summary/Purpose:

This bill would extend the sunset date for the Retail Sales and Use Tax exemption allowed for the purchase of printing materials by advertising businesses, when the printed material is distributed outside the Commonwealth. The exemption is scheduled to expire July 1, 2008, and would be extended by this bill to July 1, 2012.

The effective date of this bill is not specified.

6. No Fiscal Impact: (See Line 8.)

7. Budget amendment necessary: No.

8. Fiscal implications:

There is no revenue impact associated with extending this exemption because the General Fund revenue forecast assumes the extension of all expiring exemptions.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

This bill would extend the sunset date for the Retail Sales and Use Tax exemption for printing materials purchased by advertising businesses to be shipped out-of-state.

This exemption was enacted by the 1995 General Assembly to make Virginia printers more competitive with out-of-state printers. This legislation provides a sales tax exemption for sales of printing to a Virginia advertising business for distribution out-of-state. Also exempted are newspaper supplements, not otherwise exempted, when purchased by advertising agencies for placement in in-state or out-of-state publications.

In 1985, the General Assembly enacted legislation (Acts of Assembly 1985, Chapter 473) that exempted advertising businesses from collecting the sales tax on their sales and provided that effective July 1, 1986, advertising businesses would be treated as service providers. As a service provider, an advertising business is deemed to be the user and consumer of all tangible personal property used to provide their exempt service. As a service provider, purchases of printing by advertising businesses did not qualify for the sales tax exemption for printing destined for delivery out-of-state.

The 1994 General Assembly enacted legislation that extended the printing exemption to out-of-state advertising business purchases from Virginia printers. This exemption was extended to all advertising businesses by the 1995 General Assembly with a sunset date of June 30, 2002. This sunset date was extended to July 1, 2004 in 2003 and to July 1, 2008 in 2004. This bill extends the sunset date from July 1, 2008 to July 1, 2012.

cc : Secretary of Finance

Date: 2/26/2008 JKL
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