

**DEPARTMENT OF TAXATION
2009 Fiscal Impact Statement**

1. Patron Mark L. Cole

3. Committee Senate Rules

4. Title All Taxes; Sunset Date

2. Bill Number HB 1730

House of Origin:

 Introduced

 Substitute

 Engrossed

Second House:

 X **In Committee**

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would mandate that no legislation (i) adding a new state tax or authorizing a local tax or (ii) increasing a state tax or authorizing an increase in any local tax would be reported from any committee of the General Assembly unless such legislation contained an expiration date of not longer than four years from the effective date of the tax levy or increase.

Any legislation that is passed after this bill becomes effective and meets the criteria of this bill would not expire on the four year expiration date if the revenue from the tax was dedicated to the payment of outstanding bonds. Instead, such legislation would expire on the date that the revenue was no longer used as the dedicated source for the payment of the bonds.

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 general fund revenue impact for this bill. TAX has assigned no administrative costs to this bill.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Current Law

Currently any bill that adds a new tax or increases the rate of any tax is not required to have a sunset date. Thus, the new tax or change in rate continues until changed by the General Assembly. In some cases, however, certain taxes have been enacted with sunsets. For example, the local Coal and Gas Road Improvement Tax was originally enacted in 1978 with a 1986 sunset that has been extended five times and is now scheduled to expire December 31, 2012. Also, while all counties have the authority to impose a transient occupancy tax, certain counties have been authorized to impose an additional transient occupancy tax with sunset dates. Sunset dates have also frequently been used with tax preferences such as income tax credits and sales tax exemptions.

Proposal

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While periodic review of legislation is beneficial, this proposal would introduce a degree of uncertainty into the tax and revenue planning process. Both business and individual taxpayers include future tax obligations in their financial planning. This bill would impact forward-looking financial statements to the extent that there is uncertainty in the continuation or expiration of a tax. As a sunset date approaches, taxpayers may alter the timing and nature of their investments and other transactions. In addition, if major revenue sources are based on taxes that have an expiration date, the ability to forecast state revenues will be impacted.

In addition, bond investors may not be willing to purchase bonds backed by tax revenue that may expire before the bonds are scheduled to be retired. Although this issue is not applicable for taxes that are used as a dedicated source of payments for specific bonds, there may still be concern regarding the availability of General Fund revenues that may be appropriated for repayment purposes.

The effective date of this bill is not specified.

cc : Secretary of Finance
Date: 2/9/2009 JKL
HB1730FE161

