

# DEPARTMENT OF TAXATION

## 2009 Fiscal Impact Statement

1. **Patron** Robert D. Hull

3. **Committee** House Finance

4. **Title** Retail Sales and Use Tax; Removes Sunset  
Date on Audio and Video Works Exemption

2. **Bill Number** HB 1786

**House of Origin:**

  X   **Introduced**

      **Substitute**

      **Engrossed**

**Second House:**

      **In Committee**

      **Substitute**

      **Enrolled**

### 5. **Summary/Purpose:**

This bill would make the Retail Sales and Use Tax exemption for audio and video works permanent.

Under current law, an exemption from the Retail Sales and Use Tax is available for the lease, rental, license, sale, other transfer, or use of any audio or video tape, film, or other audio visual work. The exemption expires on July 1, 2019.

The effective date of this bill is not specified

### 6. **No Fiscal Impact**

7. **Budget amendment necessary:** No.

### 8. **Fiscal implications:**

TAX would not incur any administrative costs as a result of this bill. Generally, there is no revenue impact associated with removing an exemption sunset provision because the official revenue forecast assumes that the sunset date will be extended. In this case, as 2019 is beyond the current forecast period, there would be no budget impact related to making the exemption permanent.

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

TAX

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

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

The audiovisual works exemption was originally enacted by the 1995 General Assembly. The exemption was enacted to encourage the production of films and other audiovisual works in Virginia, and to also encourage national programmers and producers to establish

operations in Virginia. The prior law provided a limited exemption for leases or rentals of copyrighted audio and videotapes for public exhibition by movie theaters and licensed radio and television stations.

The exemption applies to the lease, rental, license, sale, other transfer, or use of any audio or video tape, film or other audiovisual work when acquired for the purpose of licensing, distributing, broadcasting, commercially exhibiting or reproducing the work or using or incorporating the work in another such work. The exemption also applies to the provision of production services or fabrication related to the production of any portion of a qualifying audiovisual work. The exempt production services include scriptwriting, photography sound, musical composition, special effect, animation, adaptation, dubbing, mixing, editing, cutting and provision of production facilities or equipment. The transfer of certain tangible personal property related to production services is exempt, as is equipment and related parts and accessories for use in the production of exempt audiovisual works.

The sunset date of the exemption was previously extended from June 30, 1997, to June 30, 2002 by the 1997 General Assembly (Acts of Assembly 1997, Chapter 705), from June 30, 2002 to July 1, 2004 by the 2002 General Assembly (Acts of Assembly 2002, Chapter 777), from July 1, 2004 to July 1, 2009 by the 2004 General Assembly (Acts of Assembly 2004, Chapter 101), and from July 1, 2009 to July 1, 2019 by the 2008 General Assembly (Acts of Assembly 2008, Chapter 545).

This bill would make the exemption permanent.

cc : Secretary of Finance

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