

# DEPARTMENT OF TAXATION

## 2009 Fiscal Impact Statement

1. **Patron** Adam P. Ebbin

2. **Bill Number** HB 2010

3. **Committee** House Finance

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

4. **Title** Miscellaneous Taxes; Paper and Plastic Bag Fee

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

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

This bill would impose a \$0.05 fee on every disposable paper and plastic bag provided to a consumer of tangible personal property in grocery stores, convenience stores, and drug stores. The fee would be collected along with the purchase price and any other fees and taxes, at the time the consumer pays for such personal property. Durable plastic bags that meet certain requirements and plastic bags used to carry ice cream, meat, fish or poultry would be exempt from this fee. The revenue generated from this fee would be deposited into the Water Quality Improvement Fund.

The effective date of this bill is not specified.

### 6. **Fiscal Impact Estimates are:** Preliminary. (See Line 8.)

#### 6a. **Expenditure Impact:**

<i><b>Fiscal Year</b></i>	<i><b>Dollars</b></i>	<i><b>Positions</b></i>	<i><b>Fund</b></i>
2008-09	\$338,100	0	GF
2009-10	\$ 25,600	0	GF
2010-11	\$ 26,600	0	GF
2011-12	\$ 26,700	0	GF
2012-13	\$ 27,800	0	GF
2013-14	\$ 28,900	0	GF
2014-15	\$ 29,000	0	GF

### 7. **Budget amendment necessary:** Yes.

ITEM(S): 270, Department of Taxation

## **8. Fiscal implications:**

### Administrative Costs

This proposal requires TAX to administer a fee to be imposed upon every disposable paper and plastic bag provided to a consumer of tangible personal property in grocery stores, convenience stores, and drug stores. In order to do so, TAX would have to add several new lines to the existing Retail Sales and Use Tax Return and update its systems in order to capture the data on the new lines.

TAX would incur estimated administrative expenses of \$338,100 in Fiscal Year 2009, \$25,600 in Fiscal Year 2010, \$26,600 in Fiscal Year 2011, \$26,700 in Fiscal Year 2012, \$27,800 in Fiscal Year 2013, \$28,900 in Fiscal Year 2014, and \$29,000 in Fiscal Year 2015. This would include costs for making forms and systems changes in FY 2009 capture and process this new tax, as well as, costs for the notification of affected dealers. Ongoing costs would be for tax return processing.

### Revenue Impact

This bill would result in a revenue gain, the magnitude of which is unknown. Based upon a similar fee imposed in Seattle, this bill may potentially raise Virginia revenues by \$11.4 million annually. This estimate is highly speculative. To the extent that the fee provides an incentive for shoppers to use reusable bags or stop using disposable bags, the revenue may decline.

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

TAX

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

## **11. Other comments:**

This bill would impose a \$0.05 fee on every disposable paper and plastic bag provided to a consumer in grocery stores, convenience stores, and drug stores. Durable plastic bags with handles that are at least 2.25 mils thick and are specifically designed and manufactured for multiple re-use would be exempt from this fee. In addition, an exemption would be available for plastic bags used to carry ice cream, meat, fish, or poultry.

Under the terms of this bill, the fee would be collected along with the purchase price and any other fees and taxes, at the time the consumer pays for such personal property. The fee would not be included in the sales price of the overall purchase, and would therefore not be subject to the Retail Sales and Use Tax. Retailers would be responsible for collecting and remitting the fee to the Department of Taxation in the same manner as they collect and remit the Retail Sales and Use Tax.

In order to account for this fee, retailers would need to account for the number and type of bags that are (1) purchased, (2) provided to customers in transactions that are subject to

this fee, (3) provided to customers in transactions that qualify for an exemption, and (3) disposed of in a non-taxable manner. Information regarding each customer transaction would need to be recorded at the point of sale and maintained for tax return preparation and audit purposes.

The effective date of this bill is not specified.

cc : Secretary of Finance

Date: 1/22/2009 KP  
DLAS File Name: HB2010F161.doc