

DEPARTMENT OF TAXATION

2011 Fiscal Impact Statement

1. **Patron** Joseph D. Morrissey

3. **Committee** House Finance

4. **Title** Miscellaneous Tax; Plastic Bag Tax

2. **Bill Number** HB 2341

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would impose a \$0.20 tax on every disposable plastic bag provided to a consumer of tangible personal property in grocery stores, convenience stores, and drug stores.

The bill would also authorize retailers that collect the fee to retain \$0.05 from every \$0.20 collected, or \$0.07 from every \$0.20 collected if the store has a customer bag credit program. Retailers who failed to collect and remit the fee would be subject to a fine, the amount of which would increase according to the number of offenses committed.

The effective date of this bill is not specified.

6. **Budget amendment necessary:** Yes.

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7. **Fiscal Impact Estimates are:** Not available. (See Line 8.)

7a. **Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2010-11	\$0	0	GF
2011-12	\$111,000	0	GF
2012-13	\$113,000	0	GF
2013-14	\$188,000	0	GF
2014-15	\$188,000	0	GF
2015-16	\$188,000	0	GF
2016-17	\$188,000	0	GF

8. Fiscal implications:

Administrative Costs

Because of the number of affected taxpayers, it would be impossible for TAX to implement this new tax by July 1, 2011. Therefore, TAX is impacting this bill as if it would be effective July 1, 2012.

TAX would incur \$111,000 in Fiscal Year 2012, \$113,000 in Fiscal Year 2013, \$188,000 in Fiscal Year 2014, \$188,000 in Fiscal Year 2015, \$188,000 in Fiscal Year 2016, \$188,000 in Fiscal Year 2017, and \$188,000 in Fiscal Year 2018 in implementing this bill. These costs are required to make the necessary changes to TAX's automated systems to create a new business online filing application, update TAX's online registration application, and make changes to Form R-1, Business Registration Application Instructions. In addition, TAX would need to distribute a mass mailer to all registered sales tax dealers.

Revenue Impact

This bill would result in a revenue gain, the amount of which is unknown, but based on data from other jurisdictions, is likely less than \$23.5 million annually. Ireland imposed a similar plastic bag tax in 2002, which caused a decrease in plastic bag use from 328 to 21 bags per capita; however, there was no option for customers to switch to paper bags. Assuming the 8 million residents of Virginia each used 21 plastic bags annually, as was the experience in Ireland, and assuming the state collected \$0.14 per bag, revenue from the tax would total \$23.5 million annually. This bill imposes the tax only on plastic bags. If the customers in Virginia were faced with the choice of \$0.20 for a plastic bag, no tax on a paper bag, or their own reusable bag, many of those without reusable bags would likely choose paper bags. Thus, the revenue from the tax would be substantially less than \$23.5 million annually.

The District of Columbia enacted a \$0.05 bag fee on paper and plastic bags, which they implemented on January 1, 2010. In the first year of their tax, an estimated 55,000,000 bags were subject to the \$0.05 fee.

9. Specific agency or political subdivisions affected:

TAX

10. Technical amendment necessary: No.

11. Other comments:

This bill would impose a \$0.20 tax on every disposable plastic bag provided to a consumer in grocery stores, convenience stores, and drug stores. This fee would not apply to paper bags. 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. An exemption would also be available for plastic bags used to carry ice cream, meat, fish, poultry, leftover restaurant food, newspapers, dry cleaning, and prescription

drugs. In addition, multiple plastic bags sold in packages and intended for use as garbage, pet waste, and leaf removal bags would be exempt from the fee.

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 therefore would 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.

The bill would also authorize qualifying retailers to retain \$0.05 from every \$0.20 collected as compensation for collecting the bag tax. In order to be entitled to the compensation, the retailer would need to deduct the amount of the compensation when submitting his returns, and would need to timely pay the amount due. Retailers with customer bag credit programs, in which the retailer pays its customers a credit of a specified amount for each bag provided by the customer for packaging the customer's purchases, would be entitled to \$0.07 from every \$0.20 collected, and would need to meet the same requirements.

Under the terms of this bill, any retailer who fails to collect and remit the fee would be subject to a fine of \$250 for the first offense, \$500 for the second offense, and \$1,000 for the third offence and each one thereafter.

The effective date of this bill is not specified.

Similar Bills

House Bill 2047 would impose a \$0.05 fee on certain disposable plastic and paper bags provided to a consumer of tangible personal property in grocery stores, convenience stores and drugs stores and would authorize qualifying retailers to retain \$0.01 or \$0.02 from the \$0.05 fee, depending upon whether the retailer had a customer bag credit program. The revenue generated from the fee would be deposited into the Water Quality Improvement Fund.

cc : Secretary of Finance

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