

DEPARTMENT OF TAXATION

2013 Fiscal Impact Statement

1. **Patron** Israel D. O'Quinn

2. **Bill Number** HB 1657

3. **Committee** House Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. **Title** Retail Sales and Use Tax; Exempts Funeral-Related Items

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would provide an exemption from the Retail Sales and Use Tax for funeral-related tangible personal property included on the itemized statement issued by a funeral service provider.

Under current law, funeral items such as caskets, clothing, flowers, acknowledgement cards, markers, monuments and stones are subject to the Retail Sales and Use Tax. Funeral homes may purchase such items exempt under the resale exemption.

The effective date of this bill is not specified.

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

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

7b. **Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2012-13	\$0	GF TTF Local HMOF
2013-14	(\$5.56 million) (\$0.81 million) (\$1.62 million) (\$0.08 million)	GF TTF Local HMOF
2014-15	(\$6.08 million) (\$0.90 million) (\$1.80 million) (\$0.18 million)	GF TTF Local HMOF

2015-16	(\$6.09 million)	GF
	(\$0.91 million)	TTF
	(\$1.83 million)	Local
	(\$0.27 million)	HMOF
2016-17	(\$6.12 million)	GF
	(\$0.93 million)	TTF
	(\$1.86 million)	Local
	(\$0.37 million)	HMOF
2017-18	(\$6.14 million)	GF
	(\$0.95 million)	TTF
	(1.90 million)	Local
	(\$0.47 million)	HMOF
2018-19	(\$6.26 million)	GF
	(\$0.97 million)	TTF
	(\$1.94 million)	Local
	(\$0.48 million)	HMOF

8. Fiscal implications:

Administrative Costs

The Department considers implementation of this bill as “routine” and does not require additional funding.

Revenue Impact

The Governor’s Transportation Proposal commits a portion of currently undedicated Retail Sales and Use Tax revenues from the General Fund to the Highway Maintenance and Operating Fund (“HMOF”) beginning July 1, 2013. The commitment excludes the amount of Retail Sales and Use Tax attributable to the tax on food for human consumption. The percentage of Retail Sales and Use Tax revenues dedicated to the HMOF will be 0.05 percent in Fiscal Year 2014, 0.10 percent in Fiscal Year 2015, 0.15 percent in Fiscal Year 2016, 0.20 percent in Fiscal Year 2017, and 0.25 percent in Fiscal Years 2018 and 2019.

The revenue impact of this bill assumes the commitment of the revenues contained in the Governor’s Transportation Proposal.

The exemption proposed in this bill would reduce revenues by \$8.06 million in Fiscal Year 2014, \$8.96 million in Fiscal Year 2015, \$9.1 million in Fiscal Year 2016, \$9.28 million in Fiscal Year 2017, \$9.46 million in Fiscal Year 2018, and \$9.65 million in Fiscal Year 2019. This estimate does not include transactions made with florists or nontraditional funeral providers.

9. Specific agency or political subdivisions affected:

10. Technical amendment necessary: No.

11. Other comments:

Generally

In 1979, the Virginia General Assembly enacted a law requiring that funeral directors itemize charges for funeral expenses. When funeral homes issue an itemized statement of charges to include merchandise sold to the public in connection with funeral services, such as caskets, vaults, crypts or boxes, air shipment trays, cremation rental caskets, urns, clothing, flowers, and acknowledgement cards, the Retail Sales and Use Tax must be collected on those items. (Virginia Tax Bulletin 79-2). Funeral homes, however, may purchase these items exempt of the tax by issuing the supplier a resale certificate of exemption.

Charges for professional services, preparation of remains, funeral home facilities, etc., are services that are not subject to the tax. However, any tangible personal property purchased for use or consumption by the funeral home to provide these services are taxable at the time of purchase. Thus, equipment such as chairs, tents, grass lowering devices, and grave digging equipment are used to provide professional services, and are subject to the tax at the time of purchase by the funeral home.

Proposal

This bill would provide an exemption from the Retail Sales and Use Tax for funeral-related tangible personal property that is included on the itemized statement issued by a funeral service provider.

The effective date of this bill is not specified.

cc : Secretary of Finance

Date: 1/13/2013 KP
DLAS File Name: HB 1657F161