

# DEPARTMENT OF TAXATION

## 2015 Fiscal Impact Statement

1. **Patron** Betsy B. Carr

3. **Committee** Senate Finance

4. **Title** Retail Sales and Use Tax; Energy-Star  
Designated Light Bulbs

2. **Bill Number** HB 1345

**House of Origin:**

           **Introduced**

           **Substitute**

           **Engrossed**

**Second House:**

  X   **In Committee**

           **Substitute**

           **Enrolled**

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

This bill would expand the list of items eligible for exemption from the Retail Sales and Use Tax during the Energy Star and WaterSense Sales Tax Holiday to include all light bulbs that have been designated as meeting the Energy Star program's requirements by the United States Environmental Protection Agency and the United States Department of Energy.

Under current law, certain specified Energy Star designated products can be purchased exempt of the Retail Sales and Use Tax during the four-day Energy Star and WaterSense Sales Tax Holiday period, provided the products are purchased for noncommercial home or personal use and are priced at \$2,500 or less per item. The Energy Star program currently designates compact fluorescent light bulbs (CFLs) and light emitting diode (LED) bulbs as Energy Star qualified items. Under Virginia law, however, only CFLs qualify for exemption during the Energy Star and WaterSense Sales Tax holiday.

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.)

8. **Fiscal implications:**

#### Administrative Costs

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

## Revenue Impact

This bill is estimated to reduce state and local revenues by approximately \$16,000 in Fiscal Year 2016, \$16,300 in Fiscal Year 2017, \$16,600 in Fiscal Year 2018, \$16,900 in Fiscal Year 2019, \$17,200 in Fiscal Year 2020 and \$17,600 in Fiscal Year 2021.

This estimate assumes passage of the Introduced Executive Budget, which shortens the duration of the current four-day Energy Star/WaterSense holiday into a three-day event.

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

Department of Taxation

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

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

#### **Current Law**

##### ***Energy Star and WaterSense Sales Tax Holiday***

Legislation enacted by the 2007 and 2008 General Assemblies provide for an annual four-day exemption period during which qualifying Energy Star and WaterSense designated products can be purchased exempt of the Retail Sales and Use Tax. Qualifying items must be purchased for noncommercial, residential use, and the sales price for each qualifying item must not exceed \$2,500. The current sales tax holiday period begins each year on the Friday before the second Monday in October and ends at midnight on the second Monday in October. The holiday is set to expire on July 1, 2017.

The statute defines "Energy Star qualified product" to include any dishwasher, clothes washer, air conditioner, ceiling fan, compact fluorescent light bulb, dehumidifier, programmable thermostat, or refrigerator, the energy efficiency of which has been designated by the United States Environmental Protection Agency and the United States Department of Energy as meeting or exceeding each such agency's requirements under the Energy Star program. WaterSense qualified products are defined as those products that have been recognized as being water efficient by the WaterSense program, as indicated by a WaterSense label.

The Energy Star program currently designates two types of light bulb technologies as Energy Star: CFL and light emitting diode LED. While CFLs are currently recognized under Virginia law as qualifying for exemption from the Retail Sales and Use Tax during the Energy Star sales tax holiday, LEDs are currently ineligible for the sales tax exemption.

#### **Other Sales Tax Holidays**

**Sales Tax Holiday for School Supplies and Clothing:** Enacted during the 2006 legislative session, this law provides an annual three-day period in August during which school supply items, including dictionaries, notebooks, pens, pencils, notebook paper,

calculators, and similar items, can be purchased exempt of the Retail Sales and Use Tax, provided that the sales price for each item does not exceed \$20. Articles of clothing with a sales price of \$100 or less per item are also exempt during the holiday period.

**Hurricane Preparedness Sales Tax Holiday:** Enacted during the 2007 legislative session, this law provides an annual seven-day period in May during which certain hurricane preparedness equipment can be purchased exempt from the sales and use tax. Items eligible for exemption during the holiday include portable generators with a selling price of \$1,000 or less per item, gas-powered chainsaws with a sales price of \$350 or less per item, and additional hurricane preparedness equipment, such as carbon monoxide detectors, batteries, radios, and fuel tanks with a selling price of \$60 or less per item. This holiday is set to expire on July 1, 2017.

### Proposal

This bill would expand the list of items eligible for sales and use tax exemption during the Energy Star and WaterSense Sales Tax Holiday to include all light bulbs that have been designated as meeting the Energy Star program's requirements by the United States Environmental Protection Agency and the United States Department of Energy.

The effective date of this bill is not specified.

### Similar Legislation

**Senate Bill 1319** would combine the three existing sales tax holidays for hurricane preparedness items, school supplies and clothing, and Energy Star and WaterSense products into a single, three-day holiday that would begin on the first Friday in August and end on the following Sunday.

cc : Secretary of Finance

Date: 2/10/2015 KP  
DLAS File Name: HB1345F161