

# DEPARTMENT OF TAXATION

## 2015 Fiscal Impact Statement

1. **Patron** Richard L. Saslaw

3. **Committee** Passed House and Senate

4. **Title** Retail Sales and Use Tax; Combines  
Existing Sales Tax Holidays

2. **Bill Number** SB 1319

**House of Origin:**

           **Introduced**

           **Substitute**

           **Engrossed**

**Second House:**

           **In Committee**

           **Substitute**

      X       **Enrolled**

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

This bill would combine the existing sales tax holidays for school supplies and clothing, Energy Star and WaterSense products, and hurricane preparedness products into one, three-day annual holiday that begins on the first Friday in August and ends at 11:59 p.m. on the following Sunday. Items exempt under the three current sales tax holidays would remain exempt under the terms of this bill. The bill would also place a July 1, 2017 sunset date on the sales tax holiday for clothing and school supplies.

Current law provides for three temporary exemption periods during which specified tangible personal property may be purchased exempt of the Retail Sales and Use Tax. The sales tax holiday for clothing and school supplies is a three-day holiday in August during which qualifying school supplies and clothing may be purchased exempt of the tax. The seven-day hurricane preparedness holiday in May allows for the tax-free purchase of qualifying hurricane preparedness items. The four-day Energy Star and WaterSense sales tax holiday provides a temporary exemption period for the purchase of qualifying tangible personal property that has been designated as Energy-Star or Water-Sense by the United States Environmental Protection Agency. The hurricane preparedness and Energy-Star holidays are set to expire on July 1, 2017 under current law.

The effective date of this bill is not specified.

**This is a Secretary of Finance Bill.**

6. **Budget amendment necessary:** No.

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

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

#### Administrative Costs Impact

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

## Revenue Impact

Combining the sales tax holidays into a single, three-day event would have a positive revenue impact in Fiscal Year 2016 and in subsequent years by reducing from seven days, the number of days that eligible hurricane preparedness items can be purchased tax-free and by reducing from four days, the number of days during which qualifying Energy Star and WaterSense products may be purchased exempt. There would be an additional one-time positive revenue gain in Fiscal Year 2015 as a result of moving the May, 2015 hurricane preparedness holiday to August.

The Introduced Executive Budget assumes the General Fund increase of Retail Sales and Use Tax revenues of approximately \$1.6 million in Fiscal Year 2015 and \$1.0 million in Fiscal Year 2016. As the Introduced Executive Budget assumes the fiscal impact of this bill, no additional impact would be recognized from this bill and no further budget amendments are required.

The estimated revenue impact of combining the sales tax holidays is provided in the table below.

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Total State and Local Sales and Use Tax	\$ 2.7	\$ 1.6	\$ 1.7	\$ 1.7	\$ 1.7	\$ 1.8	\$ 1.8
Sales and Use Tax (5.3%)	\$ 2.6	1.5	1.6	1.6	1.6	1.7	1.7
GF-Unrestricted	1.1	0.7	0.7	0.7	0.7	0.7	0.7
GF-Restricted	0.5	0.3	0.3	0.3	0.3	0.3	0.4
Transportation	0.4	0.2	0.2	0.2	0.2	0.3	0.3
Local Option	0.5	0.3	0.3	0.3	0.3	0.3	0.3
HMOF (GF transfer)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Regional Trans. Funds (0.7%)	\$ 0.2	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1
Hampton Roads (TPO)	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Northern Virginia (NVTa)	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Addendum:							
General Fund Impact	\$ 1.6	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.1	\$ 1.1

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

Department of Taxation

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

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

#### Hurricane Preparedness Sales Tax Holiday

Virginia provides an annual seven-day period that begins on May 25 and ends on May 31 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 scheduled to expire on July 1, 2017.

#### Sales Tax Holiday for School Supplies and Clothing

An annual three-day sales tax holiday takes place beginning on the first Friday in August and ending on the following Sunday, 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.

#### Energy Star and WaterSense Sales Tax Holiday

The Energy Star and WaterSense Sales Tax Holiday is an annual four-day exemption period that begins on the Friday before the second Monday in October and ends on the following Monday, 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 holiday is set to expire on July 1, 2017.

Energy Star qualified products 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. Qualifying items include bathroom sink faucets, faucet accessories, toilets, showerheads, urinals, and landscape irrigation controllers.

#### Proposal

This bill would combine these existing sales tax holidays into one, three-day annual holiday that begins on the first Friday in August and ends at 11:59 p.m. on the following Sunday. Items exempt under the three current sales tax holidays would remain exempt under the terms of this bill. The bill would also place a July 1, 2017 sunset date on the sales tax holiday for clothing and school supplies.

The effective date of this bill is not specified.

#### Similar Legislation

**House Bill 1345** would expand the list of items eligible for exemption during the Energy Star and WaterSense sales tax holiday to include all light bulbs that have been designated as meeting or exceeding the United States Environmental Protection Agency or Department of Energy's requirements under the Energy Star program.

cc : Secretary of Finance

Date: 3/2/2015 KP

DLAS File Name: SB 1319FER161