

DEPARTMENT OF TAXATION

2016 Fiscal Impact Statement

1. **Patron** Mark L. Keam

3. **Committee** House Finance

4. **Title** Retail Sales and Use Tax; Feminine Products

2. **Bill Number** HB 952

House of Origin:

X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would provide an exemption from the Retail Sales and Use Tax for tampons and sanitary napkins. Under current law, these items are subject to the Retail Sales and Use Tax.

The effective date of this bill is not specified.

6. Budget amendment necessary: Yes.

Page 1, Revenue Estimates

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

The exemption proposed in this bill is estimated to reduce state and local revenues by \$4.4 million in Fiscal Year 2017, \$4.9 million in Fiscal Year 2018, \$5.0 million in Fiscal Year 2019, \$5.1 million in Fiscal Year 2020, \$5.3 million in Fiscal Year 2021 and \$5.4 million in Fiscal Year 2022. Based upon the number of women in Virginia between the ages of 12 and 54, it is estimated that sales of sanitary napkins and tampons total approximately \$81.2 million annually. The proposed exemption would result in losses to the General Fund, Transportation, and localities, which are reflected through 2020 in the following chart:

Effective July 1, 2016
(all figures in dollars)

<u>Fund</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
State Sales and Use Tax (5.3%)	\$ 4,078,000	\$ 4,565,000	\$ 4,684,000	\$ 4,801,000
GF-Unrestricted	1,750,000	1,958,000	2,009,000	2,059,000
GF-Restricted	861,000	964,000	989,000	1,014,000
Transportation*	618,000	692,000	710,000	727,000
Local Option	772,000	865,000	887,000	909,000
HMOF (GF transfer)	77,000	86,000	89,000	91,000
Regional Trans. Funds (0.7%)	\$ 286,000	\$ 320,000	\$ 328,000	\$ 336,000
Hampton Roads (TPO)	100,000	112,000	115,000	118,000
Northern Virginia (NVTA)	185,000	207,000	213,000	218,000
Total Sales and Use Tax	\$ 4,364,000	\$ 4,885,000	\$ 5,012,000	\$ 5,137,000

**Includes 0.5% TTF, 0.175% HMOF, 0.050% IPROCF, and 0.075% Mass Transit Fund.*

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Generally

The Retail Sales and Use Tax is imposed upon the charge for the sale or use of tangible personal property, unless an exemption applies. Virginia law defines “tangible personal property” as personal property that may be seen, weighed, measured, felt, or touched, or is in any other manner perceptible to the senses.

Current law exempts from the Retail Sales and Use Tax both prescription and nonprescription drugs. Nonprescription drugs include any substances or mixture of substances containing medicines or drugs, for which no prescription is required and which are generally sold for internal or topical use in the cure, mitigation, treatment or prevention of disease in human beings. The exemption also applies to proprietary medicines, defined as any nonprescription drug sold to the general public under the brand name or trade name of the manufacturer, which drug does not contain any controlled substance or marijuana. Although the nonprescription drugs exemption applies to a number of items that commonly may not be considered drugs, such as medicated bandages and gauze, toilet articles, including sanitary napkins, tampons, and similar items, are excluded from the nonprescription drug classification.

Proposal

This bill would provide an exemption from the Retail Sales and Use Tax for sanitary napkins and tampons.

The effective date of this bill is not specified.

cc : Secretary of Finance

Date: 1/29/2016 KP
DLAS File Name: HB 952F161