

DEPARTMENT OF TAXATION

2016 Fiscal Impact Statement

1. **Patron** J. Chapman Petersen

3. **Committee** Senate Finance

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

2. **Bill Number** SB 114

House of Origin:

X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would impose a \$0.05 tax, beginning July 1, 2016, on each disposable plastic bag provided to consumers by retailers in grocery stores, convenience stores, and drug stores. The tax would be imposed only in those localities located wholly within the Chesapeake Bay Watershed. The bill would also authorize retailers that timely collect the tax to retain one cent for every five cents collected. The plastic bag tax would not apply to: 1) durable plastic bags, with handles designed for multiple reuse; 2) plastic bags used to carry ice cream, meat, fish, poultry, leftover restaurant food, newspapers or dry cleaning; 3) plastic bags used to carry alcoholic beverages or prescription drugs; and 4) multiple plastic bags sold in packages and intended for use as garbage, pet waste, or leaf removal bags. Under the terms of the bill, the Department would be required to develop guidelines implementing this tax. Revenues from the tax would be deposited into the Virginia Water Quality Improvement Fund.

The effective date of this bill is not specified.

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

Page 1, Revenue Estimates

Item 275 and 277, Department of Taxation

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>
2015-16	\$105,000	0	GF
2016-17	\$ 22,000	0	GF
2017-18	\$ 2,000	0	GF
2018-19	\$ 2,000	0	GF
2019-20	\$ 2,000	0	GF
2020-21	\$ 2,000	0	GF
2021-22	\$ 2,000	0	GF

8. Fiscal implications:

Administrative Costs Impact

In order to implement, administer, and enforce the plastic bag tax, the Department would incur administrative costs of \$ 105,000 in Fiscal Year 2016, \$22,000 in Fiscal Year 2017, and \$2,000 in Fiscal Years 2018 through 2022. Most of the expenses would be incurred in Fiscal Years 2016 and 2017 and would be associated with systems testing and execution, changing forms to account for the additional fields, and notifying taxpayers of the new tax.

Revenue Impact

The tax proposed in this bill would result in a Non-General Fund revenue gain beginning in Fiscal Year 2017. The magnitude of the revenue gain from this tax depends upon the number of bags used and consumer shopping behavior.

The proposed tax is similar to the bag tax adopted in the District of Columbia and in Montgomery County, Maryland. The tax in both jurisdictions is at the rate of 5 cents per plastic or paper bag, with 1 cent retained by the retailer. Based upon the revenue generated from these similar bills and taking into account the larger population in Virginia, the state tax proposed in this bill could potentially generate between \$14 million and \$18 million annually.

9. Specific agency or political subdivisions affected:

Department of Taxation

The 76 localities located wholly within the Chesapeake Bay Watershed, which include:

Counties of: Albemarle, Alleghany, Amelia, Amherst, Arlington, Augusta, Bath, Buckingham, Caroline, Charles City, Chesterfield, Clarke, Culpeper, Cumberland, Essex, Fairfax, Fauquier, Fluvanna, Frederick, Gloucester, Goochland, Greene, Hanover, Henrico, Highland, James City, King and Queen, King George, King William, Lancaster, Loudoun, Louisa, Madison, Mathews, Middlesex, Nelson, New Kent, Northumberland, Orange, Page, Powhatan, Prince William, Rappahannock, Richmond, Rockbridge, Rockingham, Shenandoah, Spotsylvania, Stafford, Warren, Westmoreland, and York.

Cities of: Alexandria, Buena Vista, Charlottesville, Colonial Heights, Covington, Fairfax, Falls Church, Fredericksburg, Hampton, Harrisonburg, Hopewell, Lexington, Lynchburg, Manassas, Manassas Park, Newport News, Norfolk, Poquoson, Portsmouth, Richmond, Staunton, Waynesboro, Williamsburg, and Winchester

10. Technical amendment necessary: No.

11. Other comments:

Neighboring Localities

District of Columbia: Currently, the District of Columbia imposes a fee on disposable carry-out bags. Retailers that sell food or alcohol must charge a \$0.05 fee for each paper or plastic disposable bag provided to customers at the point of sale. Retailers may retain \$0.01 of the tax collected or \$0.02 if the retailer allows customers a credit for providing their own bags for packaging purchases.

Montgomery County, Maryland: Montgomery County enacted legislation in 2011 that imposes a five-cent fee on every paper or plastic carryout bag provided by retail establishments in the County, and allows retailers to retain 1 cent for the bags they sell a customer. Revenues from the tax are deposited into the County's Water Quality Protection Charge fund.

Proposal

This bill would impose a \$0.05 tax, beginning July 1, 2016, on each disposable plastic bag provided to consumers by retailers in grocery stores, convenience stores, and drug stores. The tax would be imposed only in those localities located wholly within the Chesapeake Bay Watershed. The plastic bag tax would not apply to: 1) durable plastic bags, with handles designed for multiple reuse; 2) plastic bags used to carry ice cream, meat, fish, poultry, leftover restaurant food, newspapers or dry cleaning; 3) plastic bags used to carry alcoholic beverages or prescription drugs; and 4) multiple plastic bags sold in packages and intended for use as garbage, pet waste, or leaf removal bags.

The bill would also authorize retailers that timely collect the tax to retain one cent for every five cents collected. The retailer would not be entitled to any additional dealer discount available under current law.

The Tax Commissioner would be required to collect, administer, and enforce the tax in the same manner as the Retail Sales and Use tax. With the exception of the one cent discount, the retailer would not be entitled to any additional dealer discount. Revenues from the state tax would be deposited into the Virginia Water Quality Improvement Fund to fund initiatives to meet the Chesapeake Bay Watershed Implementation Plan.

Similar Legislation

Senate Bill 532 would allow localities in Planning District 8 to impose a \$0.05 tax for each disposable paper bag or disposable plastic bag provided by retailers in grocery stores, convenience stores, or drug stores.

cc : Secretary of Finance

Date: 1/16/2016 KP
DLAS File Name:SB114F161