

DEPARTMENT OF TAXATION

2016 Fiscal Impact Statement

1. **Patron** Scott A. Surovell

3. **Committee** Senate Finance

4. **Title** Miscellaneous Local Taxes;
Plastic Bag Tax in Planning District 8

2. **Bill Number** SB 532

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would allow localities in Planning District 8 to impose a \$0.05 tax, beginning July 1, 2016 on each disposable paper or plastic bag provided to consumers by retailers in grocery stores, convenience stores, and drug stores. Revenues from the tax would be distributed to the county or city imposing the tax. The bill would also require the Department to develop guidelines implementing this tax. Under the terms of the bill, any county or city that implemented the tax would need to provide for the tax to become effective on the first day of a calendar quarter in its local ordinance, and would need to provide the Tax Commissioner with a certified ordinance imposing the tax at least six months prior to the date the tax is to become effective.

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	\$ 0	0	GF
2016-17	\$149,000	0	GF
2017-18	\$ 58,000	1	GF
2018-19	\$ 95,000	1	GF
2019-20	\$ 97,000	1	GF
2020-21	\$ 99,000	1	GF
2021-22	\$ 103,000	1	GF

8. Fiscal implications:

Administrative Costs Impact

In order to implement, administer, and enforce the bag tax, the Department would incur administrative costs of \$149,000 in Fiscal Year 2017, \$58,000 in Fiscal Year 2018, \$95,000 in Fiscal Years 2019, \$97,000 in Fiscal Year 2020, \$99,000 in Fiscal Year 2021, and \$103,000 in Fiscal Year 2022. The Department would need to hire one full time auditor to perform audits in the Northern Virginia region. Additional expenses would be incurred in updating the systems and electronic forms to account for the new tax. Local schedules also would be needed to ensure accurate distribution to the proper locality.

Revenue Impact

The tax proposed in this bill would result in a revenue gain for those localities in Planning District 8 that elected to impose the tax, beginning in Fiscal Year 2017. The magnitude of the revenue gain for those localities would depend 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. In both the District of Columbia and in Montgomery County, however the dealer is permitted to retain one cent of the five cent tax for timely remitting the tax due. Based upon the revenue generated from these similar bills, adjusted to account for differences in population and the absence of a dealer discount, the tax proposed in this bill could potentially generate total revenues of approximately \$8 million annually if each locality in Planning District 8 elected to impose the tax. The table below shows the estimated revenue gain by locality:

Virginia Localities Within Planning District 8

Locality Name	Estimated tax revenue by locality
Alexandria City	\$ 501,937
Arlington County	\$ 756,391
Fairfax City	\$ 81,613
Fairfax County	\$3,791,949
Falls Church City	\$ 45,339
Loudoun County	\$1,210,216
Manassas City	\$ 140,276
Manassas Park City	\$ 50,582
Prince William County	\$1,487,041
Total	\$8,065,345

9. Specific agency or political subdivisions affected:

Department of Taxation

Counties of: Arlington, Fairfax, Loudoun, and Prince William

Cities of: Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park

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 allow localities in Planning District 8 to impose a \$0.05 tax, beginning July 1, 2016, on each disposable paper or plastic bag provided to consumers by retailers in grocery stores, convenience stores, and drug stores. Revenues from the tax would be distributed to the county or city imposing the tax. The bill would also require the Department to develop guidelines implementing this tax. Under the terms of the bill, any county or city that implemented the tax would need to provide for the tax to become effective on the first day of a calendar quarter in its local ordinance, and would need to provide the Tax Commissioner with a certified ordinance imposing the tax at least six months prior to the date the tax is to become effective.

cc : Secretary of Finance

Date: 1/25/2016 KP
DLAS File Name:SB532F161