

DEPARTMENT OF TAXATION 2017 Fiscal Impact Statement

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| 1. Patron Jennifer B. Boysko | 2. Bill Number <u>HB 2189</u> |
| 3. Committee House Finance | House of Origin:
<u> X </u> Introduced
<u> </u> Substitute
<u> </u> Engrossed |
| 4. Title Retail Sales and Use Tax; Sales Tax
Holiday; Feminine Products | Second House:
<u> </u> In Committee
<u> </u> Substitute
<u> </u> Enrolled |

5. Summary/Purpose:

This bill would expand the items qualifying for exemption during the sales tax holiday for school supplies and clothing to include sanitary napkins, sanitary towels, sanitary pads, tampons, and menstrual cups. The bill also would extend the sunset date for the sales tax holiday for school supplies and clothing from July 1, 2017 to July 1, 2019.

Under current law, school supplies and clothing, Energy Star and WaterSense products, and hurricane preparedness products may be purchased exempt from the Retail Sales and Use Tax during an annual three-day holiday beginning the first Friday in August and ending at 11:59 p.m. on the following Sunday.

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 \$41,000 in Fiscal Year 2018, \$42,000 in Fiscal Year 2019, \$43,000 in Fiscal Year 2020, \$44,000 in Fiscal Year 2021, \$44,000 in Fiscal Year 2022 and \$45,000 in Fiscal Year 2023. The proposed exemption would result in losses to the General Fund,

Transportation, and localities, which are reflected through Fiscal Year 2021 in the following chart:

HB 2189 Adds Feminine Hygiene Products from the Sales and Use Tax

Effective July 1, 2017

(all figures in dollars)

<u>Fund</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
State Sales and Use Tax (5.3%)	(\$ 38,000)	(\$ 39,000)	(\$ 40,000)	(\$ 41,000)
GF-Unrestricted	(\$ 16,000)	(\$ 17,000)	(\$ 17,000)	(\$ 17,000)
GF-Restricted	(\$ 8,000)	(\$ 8,000)	(\$ 8,000)	(\$ 9,000)
Transportation*	(\$ 6,000)	(\$ 6,000)	(\$ 6,000)	(\$ 6,000)
Local Option	(\$ 7,000)	(\$ 7,000)	(\$ 8,000)	(\$ 8,000)
HMOF (GF transfer)	(\$ 1,000)	(\$ 1,000)	(\$ 1,000)	(\$ 1,000)
Regional Trans. Funds (0.7%)	(\$ 3,000)	(\$ 3,000)	(\$ 3,000)	(\$ 3,000)
Hampton Roads (TPO)	(\$ 1,000)	(\$ 1,000)	(\$ 1,000)	(\$ 1,000)
Northern Virginia (NVTa)	(\$ 2,000)	(\$ 2,000)	(\$ 2,000)	(\$ 2,000)
Total Sales and Use Tax	(\$ 41,000)	(\$ 42,000)	(\$ 43,000)	(\$ 44,000)

*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:

Sales Tax Holidays

Legislation in the 2015 General Assembly Session combined the three separate sales tax holidays for hurricane preparedness, school supplies and clothing, and Energy Star and WaterSense products into one annual three-day holiday. The holidays are scheduled to expire on July 1, 2017.

Sales Tax Holiday for School Supplies and Clothing

The sales tax holiday for school supplies and clothing was originally enacted in 2006. 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

The Hurricane Preparedness Sales Tax Holiday was enacted in 2007. Items eligible for the hurricane preparedness 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.

Energy Star and WaterSense Sales Tax Holiday

The Energy Star Sales Tax Holiday was enacted in 2007 and expanded in 2008 to include qualifying WaterSense items. Qualifying items must be purchased for noncommercial, residential use, and the sales price for each qualifying item must not exceed \$2,500.

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.

Feminine Hygiene Products - Other States

Of the 45 states that impose a sales and use tax, eight states exempt feminine hygiene products from the tax: Maryland, Massachusetts, Minnesota, New Jersey, Pennsylvania and Connecticut (beginning June 1, 2018), Illinois (beginning Jan. 1, 2017) and New York (beginning Sept. 1, 2016). Three of the states (Connecticut, Illinois, and New York) enacted the exemption in 2016. Washington, D.C., also passed legislation to exempt feminine hygiene products and diapers from the sales tax. The exemption will not take effect until the projected revenue loss is accounted for in its annual budget. The California State Assembly recently passed legislation to exempt feminine hygiene products, but the bill was vetoed by the Governor.

A class-action lawsuit was filed in 2016 alleging that the Florida sales tax on feminine hygiene products discriminates against women. Florida currently exempts "medical necessities," which does not include feminine hygiene products, from the sales tax. Legislation was recently introduced in the Florida to exempt such products from the sales tax.

No other state that exempts these items limits the exemption to purchases made during the state's sales tax holiday.

Proposal

This bill would expand the items qualifying for exemption during the sales tax holiday for school supplies and clothing to include sanitary napkins, sanitary towels, sanitary pads, tampons, and menstrual cups. The bill also would extend the sunset date for the sales tax holiday for school supplies and clothing from July 1, 2017 to July 1, 2019.

The effective date of this bill is not specified.

Similar Legislation

House Bill 1529 and **Senate Bill 1018** would extend the sunset date from July 1, 2017 to July 1, 2022 for the combined sales tax holidays for school supplies and clothing, Energy Star and WaterSense products, and hurricane preparedness products.

House Bill 1593 would provide an exemption from the Retail Sales and Use Tax for toilet paper, adult diapers, sanitary napkins, sanitary towels, sanitary pads, tampons, and menstrual cups.

cc : Secretary of Finance

Date: 1/19/2017 AM
DLAS File Name: HB2189F161