DEPARTMENT OF TAXATION
2018 Fiscal Impact Statement

1. Patron Bob M. Thomas, Jr.

2. Bill Number HB 119

House of Origin:
_____ **Introduced**
_____ **Substitute**
_____ **Engrossed**

3. Committee Senate Finance

4. Title Merchants' Capital Tax; Separate Classification for Merchants' Capital of Wholesalers

Second House:
__X__ **In Committee**
_____ **Substitute**
_____ **Enrolled**

5. Summary/Purpose:

This bill would create a separate classification for purposes of the local tax on merchants' capital for certain merchants' capital of wholesalers that is reported as inventory and is normally located in a structure that contains at least 100,000 square feet, with at least 100,000 square feet used solely to store such inventory.

The effective date of this bill is not specified.

6. Budget amendment necessary: No

7. Fiscal Impact Estimates are: Not available (see Line 8)

8. Fiscal implications:

Administrative Costs

This bill could result in unknown administrative costs to localities that levy a merchants' capital tax. The bill would have no impact on state administrative costs.

Revenue Impact

There could be an unknown revenue impact on localities that levy a merchants' capital tax because such localities would have the option of taxing this new classification at a lower rate than other merchants' capital.

This bill will have no impact on state revenues.

9. Specific agency or political subdivisions affected:

Localities that levy a merchants' capital tax.

10. Technical amendment necessary: No

11. Other comments:

Background

For purposes of the local tax on merchants' capital, "merchants' capital" is defined as inventory of stock on hand; daily rental vehicles; and all other taxable personal property of any kind whatsoever, except money on hand and on deposit and except tangible personal property not offered for sale as merchandise. This classification of personal property is segregated for local taxation but no locality is required to impose a tax on such property.

According to Weldon Cooper's *2016 Virginia Local Tax Rates*, 44 counties and nine towns imposed a merchants' capital tax either exclusively or in conjunction with a Business, Professional, and Occupational License tax in Fiscal Year 2016. No cities employed this tax.

Legislation passed in 1997 created a separate classification of merchants' capital for pharmaceutical wholesalers. This allows localities that levy a tax on merchants' capital to tax this property at a different rate, provided that the rate does not exceed the tax rate generally applicable to merchants' capital.

Proposal

This bill would create a separate classification for purposes of the local tax on merchants' capital for certain merchants' capital of wholesalers that is reported as inventory and is normally located, in a structure that contains at least 100,000 square feet, with at least 100,000 square feet used solely to store such inventory.

Under the proposed legislation, the rates of tax and the rates of assessment may not exceed the rates that are applicable generally to merchants' capital.

The effective date of this bill is not specified.

cc : Secretary of Finance

Date: 2/13/2018 SK
DLAS File Name HB119F161