

# DEPARTMENT OF TAXATION

## 2020 Fiscal Impact Statement

1. **Patron** Mark J. Peake

2. **Bill Number** SB 919

3. **Committee** Senate Finance and Appropriations

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

4. **Title** Sales and Use Tax Exemption for  
Broadband Service Providers

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

### 5. **Summary/Purpose:**

This bill would establish an exemption from the Retail Sales and Use Tax for equipment purchased by a broadband service provider to be directly used to provide broadband internet access on existing utility infrastructure.

Under current law, equipment purchased by broadband service providers, including equipment to be directly used to provide broadband internet access on existing utility infrastructure, is subject to the Retail Sales and Use Tax.

If enacted during the 2020 Regular Session of the General Assembly, this bill would become effective July 1, 2020.

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

Page 1: Revenue Estimates

7. **Fiscal Impact Estimates are:** Preliminary. (See Line 8.)

#### 7b. **Revenue Impact:**

<i><b>Fiscal Year</b></i>	<i><b>Dollars</b></i>	<i><b>Fund</b></i>
2020-21	(\$34.0 million)	GF
2021-22	(\$37.6 million)	GF
2022-23	(\$37.9 million)	GF
2023-24	(\$38.3 million)	GF
2024-25	(\$38.8 million)	GF
2025-26	(\$39.1 million)	GF

### 8. **Fiscal implications:**

#### Administrative Costs

The Department of Taxation ("the Department") considers implementation of this bill to be routine and does not require additional funding.

## Revenue Impact

This bill would result in an estimated negative impact to total state and local retail sales and use tax revenues \$57.1 million in Fiscal Year 2021, \$62.9 million in Fiscal Year 2022, \$63.6 million in Fiscal Year 2023, \$64.3 million in Fiscal Year 2024, \$65.0 million in Fiscal Year 2025, and \$65.7 million in Fiscal Year 2026. Such impact would include a reduction in General Fund revenues of \$34 million in Fiscal Year 2021, \$37.6 million in Fiscal Year 2022, \$37.9 million in Fiscal Year 2023, \$38.3 million in Fiscal Year 2024, \$38.8 million in Fiscal Year 2025, and \$39.1 million in Fiscal Year 2026. The estimated impact is based on Virginia's estimated share of federal data regarding capital investment by broadband providers. See the table below for a breakdown by fund.

<b>SB 919 - Exempts Sales and Use Tax on Equipment Purchased by Broadband Providers</b>							
Assumed Effective Date: July 1, 2020							
(\$ Millions)							
<u>Fund</u>		<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>
State Sales and Use Tax (5.3%)	5.280%	\$ (53.2)	\$ (58.6)	\$ (59.3)	\$ (59.9)	\$ (60.5)	\$ (61.2)
GF - Unrestricted	2.265%	\$ (22.8)	\$ (25.2)	\$ (25.4)	\$ (25.7)	\$ (26.0)	\$ (26.2)
GF - Restricted	1.115%	\$ (11.2)	\$ (12.4)	\$ (12.5)	\$ (12.6)	\$ (12.8)	\$ (12.9)
Transportation	0.800%	\$ (8.1)	\$ (8.9)	\$ (9.0)	\$ (9.1)	\$ (9.2)	\$ (9.3)
Local Option	1.000%	\$ (10.1)	\$ (11.1)	\$ (11.2)	\$ (11.3)	\$ (11.5)	\$ (11.6)
HMOF (GF transfer)	0.100%	\$ (1.0)	\$ (1.1)	\$ (1.1)	\$ (1.1)	\$ (1.1)	\$ (1.2)
Regional	0.387%	\$ (3.9)	\$ (4.3)	\$ (4.3)	\$ (4.4)	\$ (4.4)	\$ (4.5)
Hampton Roads (0.7%)	0.112%	\$ (1.1)	\$ (1.2)	\$ (1.3)	\$ (1.3)	\$ (1.3)	\$ (1.3)
Northern Virginia (0.7%)	0.240%	\$ (2.4)	\$ (2.7)	\$ (2.7)	\$ (2.7)	\$ (2.7)	\$ (2.8)
Historic Triangle (1.7%)	0.035%	\$ (0.4)	\$ (0.4)	\$ (0.4)	\$ (0.4)	\$ (0.4)	\$ (0.4)
Total Sales and Use Tax	5.667%	\$ (57.1)	\$ (62.9)	\$ (63.6)	\$ (64.3)	\$ (65.0)	\$ (65.7)

### **9. Specific agency or political subdivisions affected:**

Department of Taxation

### **10. Technical amendment necessary: No.**

### **11. Other comments:**

#### Proposal

This bill would establish an exemption from the Retail Sales and Use Tax for equipment purchased by a broadband service provider to be directly used to provide broadband internet access on existing utility infrastructure. The bill would define "equipment" eligible for exemption as amplifiers, cable, fiber, modems, nodes, routers, repeaters, wire, construction-related equipment, and any other technology to be directly used to provide broadband internet access on existing utility infrastructure.

"Broadband" would be defined as Internet access at speeds of at least 25 MBps download speed and at least three MBps upload speed; however, if the fixed speed benchmark for high-speed broadband services, as published by the Federal Communications Commission in its most recent Broadband Deployment Report or successor publication, exceeds either one of such thresholds, then the thresholds shall be as provided in the most recent Broadband Deployment Report or successor publication.

"Broadband provider" would be defined as a business that provides broadband Internet access.

If enacted during the 2020 Regular Session of the General Assembly, this bill would become effective July 1, 2020.

cc : Secretary of Finance

Date: 1/24/2020 VB  
SB919F161