

DEPARTMENT OF TAXATION

2020 Fiscal Impact Statement

1. **Patron** Kathy J. Byron

3. **Committee** House Finance

4. **Title** Sales and Use Tax; Sunset Date for
Exemption for Railroad Rolling Stock

2. **Bill Number** HB 1698

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would end the current sales and use tax exemption for railroad rolling stock sold or leased by the manufacturer on July 1, 2021.

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

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

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

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. This bill would have no impact on local administrative costs.

Revenue Impact

As the extension of all current exemptions is assumed in the official General Fund revenue forecast, this bill would have a positive impact on state revenues. In addition, this bill would have a positive impact on local revenues. The amount of this impact is unknown due to a lack of data. In its 2019 Economic Development Incentives Report, the Joint Legislative Audit and Review Commission ("JLARC") estimated that the annual impact of the rolling stock sales tax exemption was between \$1.3 million and \$6.1 million between Fiscal Years 2010 and 2019.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

The Retail Sales and Use Tax allows an exemption for tangible personal property sold or leased to a public service corporation engaged in business as a common carrier of property or passengers by railway, for use or consumption by such common carrier directly in the rendition of its public service. The exemption is not applicable to the sale of railroad rolling stock that is acquired either directly by shippers or by leasing companies for lease to shippers.

2007 *Acts of Assembly*, Chapter 751 created an exemption from the Retail Sales and Use Tax for railroad rolling stock when sold or leased by the manufacturer. "Railroad rolling stock" includes locomotives of whatever motive power, autocars, railroad cars of every kind, and all other equipment determined by the Tax Commissioner to constitute railroad rolling stock. The exemption was enacted without a sunset date.

Proposal

This bill would end the current sales and use tax exemption for railroad rolling stock sold or leased by the manufacturer on July 1, 2021.

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

cc : Secretary of Finance

Date: 1/28/2020 VB
HB1698F161