

# DEPARTMENT OF TAXATION

## 2006 Fiscal Impact Statement

1. **Patron** John A. Cosgrove

3. **Committee** House Finance

4. **Title** Retail Sales and Use Tax: Sales Tax  
Holiday for Energy Efficient Products

2. **Bill Number** HB 130

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

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

This bill would provide a sales tax "holiday" for energy efficient products for home or personal use with a sales price of \$1,500 or less per item. The "holiday" period would begin on October 5, 2006 and end on October 8, 2006. Qualifying items must meet energy saving efficiency requirements as established by the Environmental Protection Agency and the U.S. Department of Energy.

The effective date of this bill is not specified.

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

#### 6b. **Revenue Impact:**

| <i>Fiscal Year</i> | <i>Dollars</i> | <i>Fund</i> |
|--------------------|----------------|-------------|
| 2006-07            | (\$104,000)    | GF          |
|                    | (\$15,000)     | TTF         |
|                    | (\$30,000)     | Local       |

7. **Budget amendment necessary:** Yes.

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8. **Fiscal implications:**

#### **Administrative Costs Impact**

TAX has not assigned any administrative costs to this bill because the changes required by a single bill such as this can be implemented as part of the annual changes to our systems and forms. As stand-alone legislation, TAX considers implementation of this bill as "routine," and does not require additional funding.

TAX will provide specific administrative costs on any legislation that is not “routine.” Additionally, TAX will review all state tax legislation likely to be enacted prior to the passage by each house. If the aggregate number of routine bills likely to pass either house is unusually large, it is possible that additional resources will be required. If so, TAX will identify the costs at that time.

### **Revenue Impact**

This bill would provide a sales and use tax holiday for energy efficient appliances under \$1,500 for the period of October 5 through October 8, 2006 only. This would result in a decrease in sales and use tax revenue of at least \$146,000 for FY 2007.

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

Department of Taxation

### **10. Technical amendment necessary:** None.

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

#### **Generally**

This bill would create a “sales tax holiday” for energy efficient products with a sales price of \$1,500 or less per product for noncommercial home or personal use. The exemption as currently written is effective for the three-day period commencing at 12:01 a.m. on October 5, 2006 and concluding at midnight on October 8, 2006. For purposes of this exemption, an energy efficient product is any dishwasher, clothes washer, air conditioner, ceiling fan, incandescent or fluorescent light bulb, dehumidifier, programmable thermostat, or refrigerator, the 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 energy saving efficiency requirements or meeting each agency’s Energy Star Program.

#### **Impact on Dealers**

Virginia dealers making sales of energy efficient products would be required to reprogram their cash registers for the one-time four day period to account for the exempt sales made during this period. Smaller retailers with less sophisticated systems may be unable to reprogram their systems to accommodate the exemption period. Retailers may incur significant administrative costs to administer this exemption.

#### **Other States**

The following states offer some form of “holiday” specifically for energy efficient or energy saving products:

**Connecticut:** Connecticut provides a 4-month exemption period from November 25 through April 1 for residential weatherization products with no maximum cost.

**Georgia:** Georgia provides a 4-day exemption period from October 6 through October 9, for energy efficient appliances.

**Similar Legislation**

House Bill 390 provides a permanent sales tax exemption for certain energy efficient products.

Senate Bill 63 provides retail sales tax refunds, motor vehicle sales tax refunds, and grant awards to individuals, business, and corporations using clean and efficient energy and energy efficient products.

cc : Secretary of Finance

Date: 01/16/2006 WBS  
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