

DEPARTMENT OF TAXATION

2007 Fiscal Impact Statement

1. **Patron** Robert D. Hull

2. **Bill Number** HB 2192

3. **Committee** House Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. **Title** Sales Tax Holiday; Reporting Requirements
by Retailers

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would require that beginning in 2007, retailers report the total sales that were exempt from the Retail Sales and Use Tax as a result of the sales tax holiday held each year in August, when filing their monthly sales and use tax returns.

The effective date of this bill is not specified.

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

6a. **Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2006-07	\$49,600	GF
2007-08	\$22,500	GF
2008-09	\$23,200	GF
2009-10	\$23,900	GF
2010-11	\$24,600	GF
2011-12	\$25,300	GF
2012-13	\$26,100	GF

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

Items: 265, Department of Taxation

8. **Fiscal implications:**

Administrative Costs Impact

In implementing this bill, TAX would incur costs of \$49,600 in FY 2007, \$22,500 in FY 2008, \$23,200 in FY 2009, \$23,900 in FY 2010, \$24,600 in FY 2011, \$25,300 in FY 2012 and \$26,100 in FY 2013. These estimates represent the costs of adding a new line on one sales tax return each year, and the costs associated with an increase in the number of returns assigned to the error resolutions unit.

Revenue Impact

This bill is not expected to impact state revenues.

9. Specific agency or political subdivisions affected:

TAX

10. Technical amendment necessary: No.

11. Other comments:

Background

The 2006 General Assembly enacted Senate Bill 571 and House Bill 532 (Chapters 579 and 593, 2006 Acts of Assembly), which granted consumers a three-day period each year during which they could purchase school supplies costing \$20 or less per item and articles of clothing and footwear costing \$100 or less per article exempt of the Retail Sales and Use Tax. The General Assembly scheduled the sales tax holiday to begin each year on the first Friday in August and to end on the following Sunday.

As directed by the legislation, the Virginia Department of Taxation drafted guidelines describing the merchandise that would qualify for the exemption. The Tax Department's guidelines included information describing qualifying and non-qualifying items, rules concerning various issues that would likely arise during the holiday period, and a separate section devoted to dealer recordkeeping. The guidelines directed dealers to maintain records identifying the items that were taxed during the sales tax holiday period.

There was no requirement that this information be separately recorded on the retailer's monthly sales tax return. Retailers were permitted to bundle the sales price of qualifying school supplies and clothing items sold during the sales tax holiday period with all other exempt sales on one line on the monthly return.

Proposal

This bill would change the reporting requirements for retailers who participate in the annual sales tax holiday by requiring that these dealers report the total sales that were exempt from the retail sales and use tax as a result of the preceding sales tax holiday when filing their monthly sales and use tax returns.

Impact on Dealers

Virginia dealers would have to reprogram their return preparation software to accommodate the change in the form for the new line.

Other States

Of the fifteen states that held a sales tax holiday in 2006, only five states required separate sales tax holiday reporting that year. Among these five states were Connecticut,

Iowa, New Mexico, South Carolina, and Tennessee. Connecticut, Iowa, and Tennessee accomplished this method of reporting by placing a separate line item on the exemption worksheet for sales made during the sales tax holiday. Other states have implemented this reporting requirement with a separate schedule that is filed with the return.

Similar Legislation

House Bill 1659 and **House Bill 2925** (identical) would add computers and related peripheral equipment priced at \$1,500 or less per item to the list of items that are eligible for exemption during the existing three-day sales tax holiday period.

House Bill 2940 would add personal computers and computer printing equipment to the list of items eligible for exemption during the existing sales tax holiday period.

Senate Bill 2167 would add computer systems with a selling price of \$1,500 or less per item and computers, computer hardware, computer software, or portable or handheld calculators with a selling price of \$500 or less per item to the list of items that are eligible for exemption during the existing three-day sales tax holiday period.

House Bill 1678 would provide a three-day sales tax holiday period in October, during which certain energy-efficient products with a sales price of \$2,500 or less could be purchased exempt of the Retail Sales and Use Tax.

Senate Bill 867 would provide a four-day sales tax holiday period in October, during which certain energy-efficient products with a sales price of \$2,500 or less could be purchased exempt of the Retail Sales and Use Tax.

Senate Bill 1167 would provide an annual exemption from the Retail Sales and Use Tax, beginning in 2008, on certain hurricane preparedness equipment, purchased from May 25 through May 31. Items available for exemption would include portable generators with a selling price of \$1,000 or less per item and each other article of hurricane preparedness equipment with a selling price of \$60 or less.

cc : Secretary of Finance

Date: 1/19/2007 KP
DLAS File Name: HB2192F161