

**DEPARTMENT OF TAXATION  
2007 Fiscal Impact Statement**

**REVISED 1/25/07**

**1. Patron** Leo C. Wardrup, Jr.

**3. Committee** House Finance

**4. Title** Publications Tax

**2. Bill Number** HB 2225

**House of Origin:**

  X   **Introduced**

      **Substitute**

      **Engrossed**

**Second House:**

      **In Committee**

      **Substitute**

      **Enrolled**

**5. Summary/Purpose:**

This bill would impose a state tax at the rate of \$0.01 upon each newspaper, magazine, newsletter, or other publication issued daily or regularly at average intervals not exceeding 3 months delivered or sold in the Commonwealth. This bill would also authorize TAX to promulgate rules and regulations for the implementation of the tax, and retain administrative expenses from the total amount of revenues generated by the tax. The net revenue generated from this tax would be deposited into the Virginia Water Quality Improvement Fund (the "Fund").

The effective date of this bill is January 1, 2008.

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

**6a. Expenditure Impact:**

<i><b>Fiscal Year</b></i>	<i><b>Dollars</b></i>	<i><b>Positions</b></i>	<i><b>Fund</b></i>
2006-07	\$0	0	NGF
2007-08	\$315,625	1	NGF
2008-09	\$48,700	1	NGF
2009-10	\$49,700	1	NGF
2010-11	\$50,700	1	NGF
2011-12	\$51,700	1	NGF
2012-13	\$52,700	1	NGF

**6b. Revenue Impact:**

<i><b>Fiscal Year</b></i>	<i><b>Dollars</b></i>	<i><b>Fund</b></i>
2006-07	\$0	NGF
2007-08	\$4.0 million	NGF
2008-09	\$4.0 million	NGF
2009-10	\$4.0 million	NGF
2010-11	\$4.0 million	NGF
2011-12	\$4.0 million	NGF
2012-13	\$4.0 million	NGF

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

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**8. Fiscal implications:**

Administrative Costs

In order to administer this tax, TAX would incur costs of \$315,625 in Fiscal Year 2008, \$48,700 in Fiscal Year 2009, \$49,700 in Fiscal Year 2010, \$50,700 in Fiscal Year 2011, \$51,700 in Fiscal Year 2012, and \$52,700 in Fiscal Year 2013 for 1 additional full time employee and the necessary forms and systems changes.

Revenue Impact

As the number of publications issued daily or regularly at intervals not exceeding three months that are delivered or sold in the Commonwealth is unknown, the revenue impact of this bill is tentative and incomplete. The estimate for a tax on newspapers only was obtained using 2005 data on daily and Sunday circulation newspapers provided by the US Census Bureau and is also tentative. Based on 2005 data, a tax at the rate of \$0.01 on newspapers only is estimated to generate \$3.9 million a year for the Virginia Water Quality Improvement Fund. This estimate is lower than previous estimates, as the previous estimates were obtained using data from 1997. The 2005 data reflect the continuing decline in newspaper circulation at a rate between two and five percent a year.

There is no publicly available information on the circulation of magazines and other non-newspaper periodicals. Public data available from the Audit Bureau of Circulations estimate an annual nationwide circulation of 362,281,559 in 2005. Based on Virginia's population share of the nation, the annual statewide circulation would be approximately 9,240,000. This would provide an additional estimated \$92,400 of revenue a year to the Virginia Water Quality Improvement Fund.

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

Department of Taxation

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

**11. Other comments:**

Under current law, sales of newspapers, magazines, newsletters and other publications are exempt from the retail sales tax and the business, professional and occupational license tax.

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revenue generated from this tax would be deposited into the Virginia Water Quality Improvement Fund.

#### Other Legislation

**House Bill 2224** would repeal the business, professional and occupational license (BPOL) tax exemption for printers and publishers of newspapers, magazines, newsletters and other publications.

cc : Secretary of Finance

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