

**DEPARTMENT OF TAXATION  
2007 Fiscal Impact Statement**

**1. Patron** R. Edward Houck

**2. Bill Number** SB 999

**3. Committee** House Finance

**House of Origin:**

☐ **Introduced**

☐ **Substitute**

☐ **Engrossed**

**4. Title** Retail Sales and Use Tax Exemption: Extend the Sunset Date for Textbooks and Educational Materials Distributed to Educators Free of Charge

**Second House:**

☒ **In Committee**

☐ **Substitute**

☐ **Enrolled**

**5. Summary/Purpose:**

This bill would extend the expiration date from July 1, 2008 to July 1, 2012 for the Retail Sales and Use Tax exemption for textbooks and other educational materials withdrawn from inventory at book-publishing distribution facilities for free distribution to professors and other individuals who have an educational focus.

The effective date of this bill is not specified.

**6. No Fiscal Impact:** (See Line 8.)

**7. Budget amendment necessary:** No.

**8. Fiscal implications:**

TAX would incur no additional administrative costs if the sunset date of this exemption were extended.

There would be no revenue impact associated with extending this exemption because the General Fund revenue forecast assumes the extension of all expiring exemptions.

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

TAX

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

**11. Other comments:**

This bill would extend the sunset date of the Retail Sales and Use Tax exemption for textbooks and other educational materials withdrawn from inventory at book-publishing distribution facilities and distributed to educators free of charge.

Under Virginia's sales tax law, retailers and manufacturers are allowed an exemption on purchases of items that become part of their resale inventory. The sales and use tax is collected by the retailer at the time a taxable retail sale is made. The distributor may make exempt purchases of books and educational materials using the resale exemption. However, a retailer or manufacturer that uses an item purchased exempt of the tax for a purpose other than sale or resale is subject to use tax on the cost price of the item.

Generally, withdrawals from inventory by a retailer or manufacturer for donation or free distribution are treated as taxable transactions because these items are not withdrawn from inventory for sale or resale. This constitutes a taxable use by the retailer or manufacturer as discussed above. Taxpayers who make taxable withdrawals from inventory are required to report use tax to TAX, calculated on the cost price of the items withdrawn from inventory.

The exemption authorized by this bill is an exception to the general requirement that a business pay use tax on inventory withdrawn and donated free-of-charge. This exemption was first enacted in 1998 and the sunset date was previously extended in 2002 and 2004.

#### Similar Legislation

**House Bill 1674** is identical to this bill.

cc : Secretary of Finance

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