

DEPARTMENT OF TAXATION

2008 Fiscal Impact Statement

1. **Patron** David L. Englin

3. **Committee** House Finance

4. **Title** Retail Sales and Use Tax; Exemption for
Energy Star Compact Fluorescent Light
Bulbs

2. **Bill Number** HB 686

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would provide an exemption from the Retail Sales and Use Tax for compact fluorescent light bulbs ("CFLs") designated by the United States Environmental Protection Agency and the United States Department of Energy as meeting or exceeding each such agency's requirements under the Energy Star program. Additionally, this bill would remove CFLs from the list of items that are eligible for exemption during the "Energy Star Sales Tax Holiday."

Under current law, CFLs that have been affixed with the Energy Star label can be purchased exempt of the Retail Sales and Use Tax during the "Energy Star Sales Tax Holiday", a four-day period in October during which certain items that have been affixed with the Energy Star label can be purchased exempt of the Retail Sales and Use Tax. The Energy Star Sales Tax Holiday begins each year on the Friday before the second Monday in October and ends at midnight on the second Monday in October. Items eligible for exemption during the Energy Star holiday include any dishwasher, clothes washer, air conditioner, ceiling fan, compact fluorescent light bulb, dehumidifier, programmable thermostat, and refrigerator, 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 requirements under the Energy Star program. The Energy Star Sales Tax Holiday is set to expire on July 1, 2012.

The effective date of this bill is not specified. This bill is set to expire on July 1, 2013.

6. **Fiscal Impact Estimates are:** Not Available. (See Line 8.)

7. **Budget amendment necessary:** Yes. (See Line 8.)

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8. Fiscal implications:

Administrative Costs

TAX has not assigned any administrative costs to this proposal 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 result in a revenue loss of unknown magnitude. Approximately 3.3 million compact fluorescent light bulbs were purchased in Virginia between January 1, 2007 and January 7, 2008. Based on current sales tax levels, the likely revenue loss from this bill would be less than \$500,000 annually. This decrease in revenue would necessitate a reduction of an equal amount of general fund support from other areas in the introduced budget. If sales increased in the future, the revenue loss would be greater. As CFLs are expected to last longer than standard bulbs, sales could potentially decrease in future years.

9. Specific agency or political subdivisions affected:

TAX

10. Technical amendment necessary: No.

11. Other comments:

Generally

Energy Star is a joint program of the U.S. Environmental Protection Agency and the U.S. Department of Energy created for the purpose of encouraging individuals to protect the environment through the use of energy efficient products and practices. The Energy Star program was first introduced in 1992 as a voluntary labeling program designed to identify and promote energy-efficient products to reduce greenhouse gas emissions. Computers and monitors were the first labeled products. Through 1995, the EPA expanded the label to additional office equipment products and residential heating and cooling equipment. In 1996, EPA partnered with the U.S. Department of Energy for particular product categories. The Energy Star label is now affixed to major appliances, office equipment, home electronics, and lighting, including CFLs.

CFLs are small fluorescent light bulbs that use 75% less energy than a traditional incandescent bulb and can be screwed into a regular light socket. Consumer Reports has

indicated that CFLs last 3,000 hours before wearing out, compared to 1,000 hours for a standard bulb. Currently, CFLs are the only Energy Star certified light bulb.

Current Law

Energy Star Sales Tax Holiday

The 2007 General Assembly enacted House Bill 1678 and Senate Bill 867 (Acts of Assembly 2007, Chapters 176 and 817), which provide an annual exemption from the Retail Sales and Use Tax for the purchase of certain Energy Star qualified products with a maximum sales price of \$2,500 per item. An Energy Star qualified product includes any dishwasher, clothes washer, air conditioner, ceiling fan, compact fluorescent light bulb, dehumidifier, programmable thermostat, or refrigerator, the energy 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 requirements under the Energy Star program. The current sales tax holiday period begins each year on the Friday before the second Monday in October and ends at midnight on the second Monday in October. The current Energy Star Sales Tax Holiday is set to expire on July 1, 2012.

Energy Efficient Products Income Tax Deduction

The 2006 General Assembly enacted Senate Bill 262 (Acts of Assembly 2006, Chapter 939) which established an energy policy for the Commonwealth. Senate Bill 262 provided a state personal income tax deduction available in the amount of 20% of the sales tax paid on certain energy efficient equipment or appliances, as well as qualifying fuel cells, gas heat pumps, central air conditions, advanced gas, oil or water heaters, oil fired furnaces, and programmable thermostats. The law currently permits a maximum deduction of \$500.

Proposal

This bill would provide a year-round exemption from the Retail Sales and Use Tax for the purchase of Energy Star qualified CFLs. Additionally, this bill would remove CFLs from the list of items that are eligible for exemption during the Energy Star Sales Tax Holiday. The bill would expire on July 1, 2013.

Similar Legislation

Senate Bill 280 would provide an exemption from the Retail Sales and Use Tax for all Energy Star qualified light bulbs, and would remove CFLs from the list of items qualifying for exemption during the Energy Star Sales Tax Holiday that takes place each year in October.

cc : Secretary of Finance

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