

**DEPARTMENT OF TAXATION  
2009 Fiscal Impact Statement**

1. **Patron** Harvey B. Morgan

3. **Committee** House Finance

4. **Title** Retail Sales and Use Tax; Exemption for  
Donations to Out-of-State Governmental  
Entities

2. **Bill Number** HB 1592

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

**5. Summary/Purpose:**

This bill would expand the current exemption available for tangible personal property withdrawn from inventory and donated to a nonprofit organization or to the Commonwealth or any political subdivision, school, agency or instrumentality of the Commonwealth. Beginning July 1, 2009, the exemption would be expanded to include tangible personal property withdrawn from inventory and donated to any state in the United States, any political subdivision of such state, or any school, agency, or instrumentality of the state.

The effective date of this bill is not specified.

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

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

**8. Fiscal implications:**

Administrative Costs

TAX would incur no administrative costs in implementing this bill.

Revenue Impact

This bill would result in a revenue loss of unknown magnitude. Data is unavailable on donations from inventory to out-of-state governments and organizations covered by the expanded exemption.

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

TAX

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

## 11. Other comments:

### Generally

Under current law, a retailer or business that withdraws an item of tangible personal property intended for resale and for which no tax has been paid must report tax on the cost price of all property withdrawn for purposes, other than sale. Items that are withdrawn for personal use, gift, or donation are subject to this rule. Tangible personal property that is withdrawn from inventory and donated to organizations that are exempt from taxation under § 501(c) of the Internal Revenue Code and tangible personal property withdrawn and donated to the Commonwealth or any political subdivision, school, agency, or instrumentality of the Commonwealth is exempt from this requirement.

This bill would expand the exemption available for items withdrawn from inventory, as set forth above, to include withdrawn inventory donated to any state in the United States and any political subdivision, school, agency, or instrumentality of such state.

The effective date of this bill is not specified.

### Other States

Several states require that retailers or businesses that withdraw tangible personal property from inventory intended for resale must report tax on either the cost price or purchase price of items withdrawn for purposes other than sale. Like Virginia, many of these states provide an exemption for items withdrawn from inventory and donated to governmental entities and political subdivisions. It appears that only California limits the exemption to items donated to qualifying organizations within the state.

**Alabama:** Allows an exemption for items that are withdrawn from inventory and donated to certain qualified entities, including governmental units that are a State, or a possession of the United States, and any political subdivision of any of the foregoing, the United States, or the District of Columbia that uses the gift exclusively for public purposes.

**California:** Allows an exemption for items withdrawn from inventory for the purpose of making charitable contributions to qualified organizations within the State of California.

**Connecticut:** Allows an exemption for items withdrawn from inventory and donated by the retailer to the United States, the state of Connecticut, or any of the political subdivisions thereof, or its or their respective agencies.

**New Mexico:** Allows a deduction in computing the use tax due for items that are removed from inventory and contributed to the United States or New Mexico or any governmental unit or subdivision, agency, department, or instrumentality thereof.

**North Carolina:** Allows an exemption for tangible personal property purchased by a retailer for resale and then withdrawn from inventory and donated by the retailer or wholesale merchant to a governmental entity.

**Vermont:** Allows an exemption for items withdrawn from inventory and donated to the state of Vermont or any of its agencies, instrumentalities, public authorities, public corporations, or political subdivisions when it is the purchaser, user or consumer; as well as the United States, any of its agencies and instrumentalities when it is the purchaser, user or consumer.

cc : Secretary of Finance

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