DEPARTMENT OF TAXATION
2009 Fiscal Impact Statement

1. Patron Mark L. Cole

2. Bill Number HB 1730
House of Origin:
X **Introduced**
___ **Substitute**
___ **Engrossed**

3. Committee House Finance

Second House:
___ **In Committee**
___ **Substitute**
___ **Enrolled**

4. Title All Taxes; Sunset Date

5. Summary/Purpose:

This bill would mandate that no legislation adding a new state or local tax or increasing a state or local tax would be reported from any committee of the General Assembly unless such legislation contained an expiration date of not longer than four years from the effective date of the tax levy.

The effective date of this bill is not specified.

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

7. Budget amendment necessary: No.

8. Fiscal implications:

There is no general fund revenue impact for this bill. TAX has assigned no administrative costs to this bill.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Current Law

Currently any bill that adds a new tax or increases the rate of any tax is not required to have a sunset date. Thus, the new tax or change in rate continues until changed by the General Assembly. In some cases, however, certain taxes have been enacted with sunsets. For example, the local Coal and Gas Road Improvement Tax was originally enacted in 1978 with a 1986 sunset that has been extended five times and is now scheduled to expire December 31, 2012. Also, while all counties have the authority to impose a transient occupancy tax, certain counties have been authorized to impose an additional transient occupancy tax with sunset dates. Sunset dates have also frequently been used with tax preferences such as income tax credits and sales tax exemptions.

Proposal

This bill would mandate that no legislation adding a new state or local tax or increasing a state or local tax would be reported from any committee of the General Assembly unless such legislation contained an expiration date of not longer than four years from the effective date of the tax levy. Consequently, the legislature would have to re-enact every increase in tax rate or new tax on a four-year basis or the provision would expire.

While periodic review of legislation is beneficial, this proposal would introduce a degree of uncertainty into the tax and revenue planning process. Both business and individual taxpayers include future tax obligations in their financial planning. This bill would impact forward-looking financial statements to the extent that there is uncertainty in the continuation or expiration of a tax. As a sunset date approaches, taxpayers may alter the timing and nature of their investments and other transactions. In addition, if major revenue sources are based on taxes that have an expiration date, the ability to forecast state revenues will be impacted. Bond investors may not be willing to purchase bonds backed by tax revenue that may expire before the bonds are scheduled to be retired.

The effective date of this bill is not specified.

cc : Secretary of Finance

Date: 1/16/2009 JKL
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