

# DEPARTMENT OF TAXATION

## 2009 Fiscal Impact Statement

1. **Patron** Robert D. Orrock, Sr.

2. **Bill Number** HB 2101

3. **Committee** Senate Finance

**House of Origin:**

       **Introduced**

       **Substitute**

       **Engrossed**

4. **Title** Retail Sales and Use Tax and Corporate  
Income Tax; Amend Requirements of Annual  
Reports

**Second House:**

  X   **In Committee**

       **Substitute**

       **Enrolled**

### 5. **Summary/Purpose:**

This bill would allow TAX to combine its yearly report on the fiscal impact of the Sales and Use Tax exemption for nonprofit entities ("the Nonprofit Exemption Report") with its yearly sales and use tax expenditure study ("SUTES Study") filed with the legislature each year. The bill would also allow TAX to eliminate the preliminary report on corporate income tax preferences and extend the deadline for the final annual report from April 15 to October 1.

The effective date of this bill is not specified.

This is a Department of Taxation Bill.

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

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

### 8. **Fiscal implications:**

#### Administrative Costs

This bill would improve the efficiency of state government by generating some cost savings as staff will be available to work on other projects and improve the accuracy of the remaining reports.

#### Revenue Impact

This bill would have no revenue impact.

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

Department of Taxation

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

## 11. Other comments:

### Background

Currently, TAX is required to file a report (the "Nonprofit Exemption report") setting forth the annual fiscal impact of the Retail Sales and Use Tax exemption for nonprofit entities provided for under *Va. Code* § 58.1-609.11 no later than December 1 of each year with the legislature using data submitted by nonprofits when they apply for new or renewed exemption certificates. TAX is also required to determine the fiscal, economic and policy impact of the Retail Sales and Use Tax exemptions provided in *Va. Code* §§ 58.1-609.10 and 58.1-609.11 and report such findings to the legislature in the Sales and Use Tax Expenditure Study (the "SUTES Study") no later than December 1 of each year. TAX is prohibited from analyzing any exemption more frequently than once every five years, and the exemptions reported in the SUTES study rotate on a five year basis. Currently, the Nonprofit Exemption Report is also incorporated into the SUTES Study. As a result of this redundant mandate, the substance of the Nonprofit Exemption report is reported twice.

TAX is also required to file a preliminary report on corporate income tax credits and deductions for the preceding tax year no later than December 1, and a final report must be filed no later than the following April 15. The deadlines for submitting the report are unrealistic because many corporations have not filed their income tax returns by the due dates. A taxpayer whose fiscal year begins December 1, 2008, would have its income tax return due March 15, 2009, but most corporations routinely utilize a six-month extension and would most likely file the return on or before September 15, 2009. Moreover, after the return TAX must process the return and resolve errors before the data can be considered for a report.

### Proposal

This bill would allow TAX to combine its yearly report on the fiscal impact of the Sales and Use Tax exemption for nonprofit entities ("the Nonprofit Exemption Report") with its yearly Sales and Use Tax Expenditure study ("SUTES Study") filed with the legislature each year. The bill would also allow TAX to eliminate the preliminary report on corporate income tax preferences and extend the deadline for the final annual report from April 15 to October 1.

The effective date of this bill is not specified.

cc : Secretary of Finance

Date: 2/6/2009 AM  
DLAS File Name: HB2101FE161