

DEPARTMENT OF TAXATION

2011 Fiscal Impact Statement

1. **Patron** Adam P. Ebbin

2. **Bill Number** HB 2047

3. **Committee** House Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. **Title** Miscellaneous Taxes; Paper and Plastic Bag Fee

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would impose a \$0.05 fee on disposable paper and plastic bags provided to a consumer of tangible personal property in grocery stores, convenience stores, and drug stores. The revenue generated from this fee would be deposited into the Water Quality Improvement Fund. The bill would also authorize retailers that collect the fee to retain \$0.01 from every \$0.05 collected, or \$0.02 from every \$0.05 collected if the store has a customer bag credit program.

The effective date of this bill is not specified.

6. **Budget amendment necessary:** Yes.

Page 1, Revenue Estimates.

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7. **Fiscal Impact Estimates are:** Preliminary. (See Line 8.)

7a. **Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2011-12	\$111,000	0	GF
2012-13	\$113,000	0	GF
2013-14	\$188,000	0	GF
2014-15	\$188,000	0	GF
2015-16	\$188,000	0	GF
2016-17	\$188,000	0	GF
2017-18	\$188,000	0	GF

7b. **Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2012-13	\$23.5 million	WQIF
2013-14	\$23.0 million	WQIF
2014-15	\$21.8 million	WQIF
2015-16	\$21.8 million	WQIF
2016-17	\$21.8 million	WQIF
2017-18	\$21.8 million	WQIF

8. Fiscal implications:

Administrative Costs

TAX would incur \$111,000 in Fiscal Year 2012, \$113,000 in Fiscal Year 2013, \$188,000 in Fiscal Year 2014, \$188,000 in Fiscal Year 2015, \$188,000 in Fiscal Year 2016, \$188,000 in Fiscal Year 2017, and \$188,000 in Fiscal Year 2018 in implementing this bill. These costs are required to create a new business online filing application, update TAX's online registration application, and make changes to Form R-1, Business Registration Application Instructions. In addition, TAX would need to distribute a mass mailer to all registered sales tax dealers. The earliest that TAX could implement this bill is January 1, 2012.

Revenue Impact

This bill would result in an increase to the Virginia Water Quality Improvement Fund of \$23.5 million in Fiscal Year 2013, \$23.0 million in Fiscal Year 2014, \$21.8 million in Fiscal Year 2015, \$21.8 million in Fiscal Year 2016, \$21.8 million in Fiscal Year 2017, and \$21.8 million in Fiscal Year 2018. This estimate assumes that 731 million bags will be subject to the fee during the first year, which number is estimated to decline by 10 percent in the second year and 15 percent in subsequent years.

The District of Columbia enacted a similar \$0.05 bag fee on January 1, 2010. The revenue gains are based on the observation that in the first year of their tax, an estimated 55,000,000 bags were subject to the \$0.05 fee.

9. Specific agency or political subdivisions affected: TAX

10. Technical amendment necessary: Yes.

To correct a typographical error, TAX recommends the following technical amendment:

Page 1, Line 43, after collect
Strike: the

11. Other comments:

This bill would impose a \$0.05 fee on every disposable paper and plastic bag provided to a consumer in grocery stores, convenience stores, and drug stores. Durable plastic bags with handles that are at least 2.25 mils thick and are specifically designed and manufactured for multiple re-use would be exempt from this fee. An exemption would also be available for plastic bags used to carry ice cream, meat, fish, poultry, leftover restaurant food, newspapers, dry cleaning, and prescription drugs. In addition, multiple plastic bags sold in packages and intended for use as garbage, pet waste, and leaf removal bags would be exempt from the fee.

Under the terms of this bill, the fee would be collected along with the purchase price and any other fees and taxes, at the time the consumer pays for such personal property. The fee would not be included in the sales price of the overall purchase, and would therefore not be subject to the Retail Sales and Use Tax. Retailers would be responsible for collecting and remitting the fee to the Department of Taxation in the same manner as they collect and remit the Retail Sales and Use Tax.

The bill would also authorize qualifying retailers to retain \$0.01 from every \$0.05 collected as compensation for collecting the bag fee. In order to be entitled to the compensation, the retailer would need to deduct the amount of the compensation when submitting his returns, and would need to timely pay the amount due. Retailers with customer bag credit programs, in which the retailer pays its customers a credit of a specified amount for each bag provided by the customer for packaging the customer's purchases, would be entitled to \$0.02 from every \$0.05 collected, and would need to meet the same requirements.

The revenue generated from the fee would be deposited into the Water Quality Improvement Fund, a special, permanent, nonreverting fund which was created to provide Water Quality Improvement Grants to local governments, soil and water conservation districts, state agencies, institutions of higher education and individuals for prevention of pollution in the Chesapeake Bay and its tributaries.

Under the terms of this bill, any retailer who fails to collect and remit the fee would be subject to a fine of \$250 for the first offense, \$500 for the second offense, and \$1,000 for the third offence and each one thereafter.

The effective date of this bill is not specified.

Similar Bills

House Bill 2341 would impose a \$0.20 tax on plastic bags used by purchasers to carry tangible personal property from the place of purchase, and would authorize qualifying retailers to retain \$0.05 or \$0.07 of the \$0.20 tax, depending upon whether the retailer had a customer bag credit program.

cc : Secretary of Finance

Date: 1/25/2011 KP
DLAS File Name: HB2047F161.doc