

**DEPARTMENT OF TAXATION
2012 Fiscal Impact Statement**

1. **Patron** Joseph D. Morrissey

2. **Bill Number** HB 124

3. **Committee** House Finance

House of Origin:

Introduced

Substitute

Engrossed

4. **Title** Miscellaneous Tax; Plastic Bag Tax

Second House:

In Committee

Substitute

Enrolled

5. Summary/Purpose:

This bill would impose a \$0.20 tax on every disposable plastic bag provided to a consumer of tangible personal property in grocery stores, convenience stores, and drug stores.

The bill would also authorize retailers that collect the fee to retain \$0.05 from every \$0.20 collected, or \$0.07 from every \$0.20 collected if the store has a customer bag credit program. Retailers who failed to collect and remit the fee would be subject to a fine, the amount of which would increase according to the number of offenses committed.

The effective date of this bill is not specified.

6. Budget amendment necessary: Yes.

Page 1, Revenue Estimates

Item 273, Department of Taxation

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

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2011-12	\$0	0	GF
2012-13	\$128,000	0	GF
2013-14	\$321,000	0	GF
2014-15	\$295,000	0	GF
2015-16	\$295,000	0	GF
2016-17	\$295,000	0	GF
2017-18	\$295,000	0	GF

8. Fiscal implications:

Administrative Costs Impact

Because of the number of affected taxpayers, it would be impossible for the Department to implement this new tax by July 1, 2012. Therefore, the Department is impacting this bill as if it would be effective July 1, 2013.

The Department would incur costs of \$128,000 in Fiscal Year 2013, \$321,000 in Fiscal Year 2014, and \$295,000 in Fiscal Years 2015 through 2018 in implementing this bill. These costs are required in order to make the necessary changes to the Department's automated systems, change the online filing application, expand applicable tax forms to include additional lines, and provide overtime to employees to absorb the additional work. In addition, the Department would need to distribute a mass mailer to all registered sales tax dealers.

An identical bill was introduced during the 2011 General Assembly Session (House Bill 2341) with administrative costs that were substantially lower than those contained in this bill. The estimates for this bill are higher due to a decrease in the Department's resources and staff.

Revenue Impact

When Ireland imposed a similar plastic bag tax in 2002, plastic bag use decreased from 328 to 21 bags per capita. Assuming that the 8 million residents of Virginia used 21 plastic bags annually, at an assumed net fee of \$0.14 per bag, revenue from the tax would total \$23.5 million annually.

If Virginia customers were faced with the choice of \$0.20 for a plastic bag, no tax on a paper bag, or their own reusable bag, many of those without reusable bags would likely choose paper bags. Thus, it is highly unlikely that the revenue from the tax would reach the \$23.5 million estimate annually.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Proposal

This bill would impose a \$0.20 tax on every disposable plastic bag provided to a consumer in grocery stores, convenience stores, and drug stores. This fee would not apply to paper bags. 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 therefore would 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 \$0.05 from every \$0.20 collected as compensation for collecting the bag tax. 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 \$0.07 from every \$0.20 collected, and would need to meet the same requirements.

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 offense and each one thereafter.

The effective date of this bill is not specified.

Other States

Currently, the District of Columbia imposes a fee or tax on plastic carry-out grocery bags. In the District of Columbia, retailers that sell food or alcohol must charge a \$0.05 fee for each paper or plastic disposable bag provided to customers at the point of sale. The proceeds are deposited in a fund to be used for river cleanup.

In addition, the City of Brownsville, Texas currently imposes a \$1 environmental fee on consumers who choose to use non-reusable plastic shopping bags.

cc : Secretary of Finance

Date: 1/18/2012 KP
DLAS File Name HB124F161