

**DEPARTMENT OF TAXATION
2012 Fiscal Impact Statement**

1. **Patron** John A. Cosgrove

2. **Bill Number** HB 236

3. **Committee** House Finance

House of Origin:

Introduced

Substitute

Engrossed

4. **Title** Retail Sales Tax; Merges Energy Star and Hurricane Preparedness Sales Tax Holidays

Second House:

In Committee

Substitute

Enrolled

5. Summary/Purpose:

This bill would change the date of the four-day Energy Star and WaterSense Sales Tax Holiday to coincide with the seven-day Hurricane Preparedness Sales Tax Holiday in May, effectively expanding the Energy Star and WaterSense holiday an additional three days. The bill would also remove the sunset date for both holidays.

Current law provides temporary periods, known as "sales tax holidays" during which certain items can be purchased exempt of the Retail Sales and Use Tax. During the Energy Star and WaterSense Sales Tax Holiday period in October, consumers can purchase qualifying Energy Star and WaterSense products exempt of the Retail Sales and Use Tax. During the Hurricane Preparedness Sales Tax Holiday in May, consumers can purchase certain hurricane preparedness items exempt of the sales tax. Each holiday period is set to expire on July 1, 2012.

The effective date of this bill is not specified.

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

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

7b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2012-13	(\$115,000)	GF
	(\$ 17,000)	TTF
	(\$ 32,000)	Local
	(\$ 2,000)	HMOF

2013-14	(\$119,000)	GF
	(\$ 17,000)	TTF
	(\$ 35,000)	Local
	(\$ 2,000)	HMOF
2014-15	(\$123,000)	GF
	(\$ 18,000)	TTF
	(\$ 36,000)	Local
	(\$ 4,000)	HMOF
2015-16	(\$129,000)	GF
	(\$ 19,000)	TTF
	(\$ 38,000)	Local
	(\$ 4,000)	HMOF
2016-17	(\$133,000)	GF
	(\$ 20,000)	TTF
	(\$ 40,000)	Local
	(\$ 6,000)	HMOF
2017-18	(\$138,000)	GF
	(\$ 21,000)	TTF
	(\$ 42,000)	Local
	(\$ 6,000)	HMOF

8. Fiscal implications:

Administrative Costs

The Department considers implementation of this bill as “routine” and does not require additional funding.

Revenue Impact

The introduced Executive Budget allocates currently undedicated Retail Sales and Use Tax revenues from the General Fund to the Highway Maintenance and Operating Fund (“HMOF”) beginning July 1, 2012. The revenue impact of this bill assumes passage of the introduced Executive Budget.

The sales tax exemption proposed in this bill is estimated to reduce state revenues by a minimum of \$168,000 in Fiscal Year 2013, \$173,000 in Fiscal Year 2014, \$181,000 in Fiscal Year 2015, \$190,000 in Fiscal Year 2016, \$199,000 in Fiscal Year 2017, and \$207,000 in Fiscal Year 2018. These are minimum estimates due to a lack of sales tax data regarding qualifying WaterSense products sold. The removal of the sunset date for the two holidays has no revenue impact because revenue forecasts assume the extension of all expiring exemptions. Thus, these estimates reflect the incremental decrease in revenue from what is already factored into the revenue forecasts.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Energy Star Sales Tax Holiday

The 2007 General Assembly enacted a four-day sales tax holiday period, which takes place each year beginning on the Friday before the second Monday in October and ending on the second Monday in October. During the holiday, purchases of certain Energy Star qualified products are exempt of the Retail Sales and Use Tax. Items eligible for exemption during this holiday period include dishwashers, clothes washers, air conditioners, ceiling fans, compact fluorescent light bulbs, dehumidifiers, programmable thermostats, and refrigerators, provided such items are designated by the United States Environmental Protection Agency and the United States Department of Energy as "Energy Star." The holiday was expanded in 2008 to include WaterSense qualified products, including bathroom sink faucets, faucet accessories, toilets, and showerheads that have been designated as WaterSense by the Environmental Protection Agency. Qualifying Energy Star and WaterSense products must cost \$2,500 or less per item and be purchased for noncommercial home or personal use. The holiday is set to expire on July 1, 2012.

Hurricane Preparedness Sales Tax Holiday

The 2007 General Assembly also enacted a seven-day period during which certain hurricane preparedness equipment can be purchased exempt of the Retail Sales and Use Tax. Items eligible for exemption include portable generators with a selling price of \$1,000 or less per item, and certain other hurricane preparedness equipment, including blue ice, carbon monoxide detectors, cell phone batteries and chargers, gas and diesel fuel tanks, food storage coolers, self-powered, two-way, and weather band radios, storm shutter devices, tarpaulins, ground anchor systems, and certain batteries with a selling price of \$60 or less per item. The holiday begins each year on May 25 and ends on May 31st, just one day before the start of Virginia's hurricane season. The holiday is set to expire on July 1, 2012.

The hurricane preparedness statute also mandates that the Department develop guidelines describing the items that qualify for exemption during the sales tax holiday, and that the Department make such guidelines available both electronically and in hard copy no later than May 15th of each year.

As with the similar sales tax holidays in Virginia for school supplies and clothing, the law authorizes dealers to absorb the sales and use tax on all other items sold during both the Energy Star and WaterSense holiday period and the Hurricane Preparedness holiday period, thereby relieving the purchasers of the obligation to pay tax on nonqualifying items. Dealers that absorb the tax on nonqualifying items are required to remit such tax to the Tax Commissioner.

Other States

In addition to Virginia, the following states held sales tax holidays for Energy Star equipment in 2011.

State	Maximum Cost	2011 Dates
Maryland	No limit	Feb 19-21
Missouri	\$1,500	April 19-25
North Carolina	No limit	Nov 4-6
Texas	No limit	Aug 19-21

In addition to Virginia, Louisiana is the only other state that held a hurricane preparedness sales tax holiday in 2011, which began on May 28 and ended on May 29, and exempted qualifying items with a sales price of \$1,500 or less per item.

Proposal

This bill would change the date of the four-day Energy Star and WaterSense Sales Tax Holiday to coincide with the seven-day Hurricane Preparedness Sales Tax Holiday in May, effectively expanding the Energy Star and WaterSense Holiday an additional three days. The bill would also remove the sunset date for both holidays.

The effective date of this bill is not specified.

Similar Legislation

House Bill 247 and House Bill 565 (identical) would add computers and related computer equipment with an aggregate sales price of \$3,500 or less to the list of items that qualify for exemption during the sales tax holiday for school supplies and clothing.

House Bill 513 would extend the sunset dates for the hurricane preparedness, Energy Star, and WaterSense sales tax holidays from July 1, 2012 to July 1, 2017.

cc : Secretary of Finance

Date: 1/21/2012 KP
DLAS File Name: HB236F161