

DEPARTMENT OF TAXATION

2012 Fiscal Impact Statement

1. **Patron** Harry R. Purkey

2. **Bill Number** HB 513

3. **Committee** Passed by House and Senate

House of Origin:

☐ Introduced

☐ Substitute

☐ Engrossed

4. **Title** Retail Sales and Use Tax; Extends Sunset
Date for Hurricane Preparedness and
Energy Star and Water Sense Sales Tax
Holidays

Second House:

☐ In Committee

☐ Substitute

☒ Enrolled

5. **Summary/Purpose:**

This bill would extend the expiration dates for the hurricane preparedness, Energy Star, and WaterSense sales tax holidays from July 1, 2012 to July 1, 2017.

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 four-day 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:** No.

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

8. **Fiscal implications:**

Administrative Costs

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

Revenue Impact

There would be no revenue impact associated with extending the sunset date of these holidays because the General Fund forecast assumes the extension of all expiring exemptions.

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

In 2007, Virginia enacted the Hurricane Preparedness Sales Tax Holiday, an annual seven-day period during which certain hurricane preparedness equipment could 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 31, and is set to expire on July 1, 2012.

As with the similar sales tax holidays in Virginia for school supplies and clothing and Energy Star and WaterSense items, the law authorizes dealers to absorb the sales and use tax on all other items sold during the sales tax 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.

The 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.

Proposal

This bill would extend the expiration dates for the hurricane preparedness, Energy Star, and WaterSense sales tax holidays from July 1, 2012 to July 1, 2017.

The effective date of this bill is not specified.

cc : Secretary of Finance

Date: 3/20/2012 KP
DLAS File Name: HB513FER161