DEPARTMENT OF TAXATION
2012 Fiscal Impact Statement

1. Patron Robert B. Bell

2. Bill Number HB 959

House of Origin:
X **Introduced**
_____ **Substitute**
_____ **Engrossed**

3. Committee House Finance

4. Title Retail Sales and Use Tax; Expands Exemption to Include Additional Transportation Companies

Second House:
_____ **In Committee**
_____ **Substitute**
_____ **Enrolled**

5. Summary/Purpose:

This bill would expand the list of public transportation companies that qualify for exemption from the Retail Sales and Use Tax on their purchases to include all other companies that are owned, operated or controlled by any county, city, or town that provides public transportation services. Tangible personal property sold or leased to any county, city or town and subsequently transferred to such companies would also be exempt from the use tax.

Under current law, tangible personal property sold or leased to Alexandria Transit Company, Greater Lynchburg Transit Company, GRTC Transit System, and Greater Roanoke Transit Company is exempt from the Retail Sales and Use Tax. Similarly, tangible personal property sold or leased to any county, city, or town that is transferred to any of these companies is exempt.

The effective date of this bill is not specified.

6. Budget amendment necessary: No.

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

8. Fiscal implications:

Administrative Costs Impact

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

Revenue Impact

The Department has verified with the Virginia Transit Association that almost all public transit companies currently qualify for another Retail Sales and Use Tax exemption. Therefore, this bill would have a minimal revenue impact.

9. Specific agency or political subdivisions affected:

Department of Taxation
All localities that own, operate, or control a company providing public transportation services.

10. Technical amendment necessary: Yes.

In order to clarify the intent of this bill, the following technical amendment is suggested:

Page 1, line 56, after other
Insert: transit

11. Other comments:

Background

Prior to September 1, 2004, a Retail Sales and Use Tax exemption was available to public service corporations for the purchase or lease of tangible personal property used or consumed directly in the rendition of their public service. The exemption was repealed effective September 1, 2004, and electric suppliers, telecommunications companies, certain telephone companies, gas, water, and sewer utilities and motor vehicle common carriers lost their exemption. Common carriers of property or passengers by railway did not lose their exemption.

As an unintended consequence of this repeal, several public transportation systems organized for the purpose of providing public transportation within a specified geographical area lost their public service corporation sales and use tax exemption. Legislation enacted in 2005, which applied retroactively to the date of the public service corporations' exemption repeal, provided an exemption to Alexandria Transit Company, greater Lynchburg Transit Company, GRTC Transit System and Greater Roanoke Transit Company on their purchases or leases of tangible personal property. The legislation also exempted tangible personal property sold or leased to any county, city, or town that is transferred to any of the four transit companies.

Proposal

This bill would expand the list of public transportation companies that qualify for exemption from the Retail Sales and Use Tax on their purchases to include all other companies that are owned, operated or controlled by any county, city, or town that provides public transportation services. These companies would also be exempt on tangible personal property sold or leased to any county, city or town and subsequently transferred to such companies.

The effective date of this bill is not specified.

Similar Legislation

Senate Bill 40 is identical to this bill.

cc : Secretary of Finance

Date: 1/28/2012 KP
DLAS File Name: HB959F161