

# DEPARTMENT OF TAXATION

## 2012 Fiscal Impact Statement

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| <b>1. Patron</b> Emmett W. Hanger, Jr.   | <b>2. Bill Number</b> <u>SB 393</u>              |
|  | <b>House of Origin:</b>                          |
|  | <input type="checkbox"/> Introduced              |
|  | <input type="checkbox"/> Substitute              |
|  | <input type="checkbox"/> Engrossed               |
| <b>3. Committee</b> House Finance  |  |
| <b>4. Title</b> Retail Sales and Use Tax; Extends Sunset<br>for Printing Materials Exemption | <b>Second House:</b>                             |
|  | <input checked="" type="checkbox"/> In Committee |
|  | <input type="checkbox"/> Substitute              |
|  | <input type="checkbox"/> Enrolled                |

### 5. Summary/Purpose:

This bill would extend the sunset date for the Retail Sales and Use Tax exemption allowed for the purchase of printing materials by advertising businesses when the printed material is distributed outside the Commonwealth. The exemption is scheduled to expire July 1, 2012, and would be extended under the terms of this bill to July 1, 2017. The bill would also require the Department to submit a report to the House Appropriations Committee and the House and Senate Finance Committees providing an estimate of the revenue impact associated with this exemption by November 15, 2016.

Under current law, advertising businesses that purchase printing from Virginia printers are not deemed the users or consumers of printed materials distributed outside the Commonwealth if the purchases would have qualified for either: 1) the regularly issued publications exemption, set forth in *Va. Code* § 58.1-609.6(3) or 2) the catalogs, letters, brochures, reports, and similar printed materials exemption set forth in *Va. Code* § 58.1-609.6(4).

The effective date of this bill is not specified.

- 6. Budget amendment necessary:** No.
- 7. Fiscal Impact Estimates are:** Not available. (See Line 8.)
- 8. Fiscal implications:**

#### Administrative Costs

This bill would require the Department to submit a report by November 15 of the year before the expiration of this tax exemption. In order to produce the report, the Department would have to begin accumulating data and conducting surveys soon after the bill becomes effective. If present staff is diverted to the proposed study, then the Department would not have the resources to continue performing other critical work. The Department will be submitting an analysis of staffing needs to staff of the money

committees that addresses how to obtain the resources necessary to conduct the proposed studies.

### Revenue Impact

There is no revenue impact associated with extending the sunset date because the General Fund revenue forecast assumes the extension of all expiring exemptions. The report required by this bill may influence future legislative action, which could subsequently impact state or local revenue.

### **9. Specific agency or political subdivisions affected:**

Department of Taxation

### **10. Technical amendment necessary: No.**

### **11. Other comments:**

This bill would extend the sunset date for the Retail Sales and Use Tax exemption available for printing materials purchased by advertising businesses to be shipped out-of-state. This exemption was enacted by the 1995 General Assembly to make Virginia printers more competitive with out-of-state printers. This legislation provides a sales tax exemption for sales of printing to a Virginia advertising business for distribution out-of-state. Newspaper supplements, not otherwise exempted, purchased by advertising agencies for placement in in-state or out-of-state publications are also exempt.

In 1985, the General Assembly enacted legislation that exempted advertising businesses from collecting the sales tax on their sales and provided that effective July 1, 1986, advertising businesses would be treated as service providers. As a service provider, an advertising business is deemed to be the user and consumer of all tangible personal property used to provide their exempt service. As a service provider, purchases of printing by advertising businesses did not qualify for the sales tax exemption for printing destined for delivery out-of-state.

The 1994 General Assembly enacted legislation which extended the printing exemption to out-of-state advertising business purchases from Virginia printers. This exemption was extended to all advertising businesses by the 1995 General Assembly with a sunset date of June 30, 2002. The sunset date has since been extended to July 1, 2004, July 1, 2008, and July 1, 2012.

### Proposal

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cc : Secretary of Finance

Date: 2/14/2012 KP  
DLAS File Name: SB393FE161