

DEPARTMENT OF TAXATION

2013 Fiscal Impact Statement

1. **Patron** Ronald A. Villanueva

3. **Committee** House Finance

4. **Title** Retail Sales and Use Tax; Exempts
Chainsaws During Hurricane Preparedness
Holiday

2. **Bill Number** HB 1523

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would add gas-powered chainsaws with a selling price of \$350 or less and chainsaw accessories to the list of items that qualify for exemption during the sales tax holiday for hurricane preparedness items.

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 hurricane preparedness sales tax holiday, which begins each year on May 25 and ends on May 31, portable generators with a selling price of \$1,000 or less and certain other statutorily specified items with a sales price of \$60 or less per item may be purchased exempt of the Retail Sales and Use Tax. The hurricane preparedness sales tax holiday is set to expire on July 1, 2017.

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:

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

Revenue Impact:

The sales tax exemption proposed in this bill would result in a revenue loss, the magnitude of which is unknown. In the two states that offered similar holidays in 2012, chainsaws were not among the list of qualifying items. The Journal of Forensic Science indicates that approximately three million chainsaws are sold in the United States

annually. Based on this data, the proposed exemption could potentially decrease annual revenues by \$11,000.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Hurricane Preparedness Sales Tax Holiday

The 2007 General Assembly 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, 2017.

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 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, Alabama and Louisiana were the only two states that provided for a hurricane preparedness sales tax holiday in 2012. Like Virginia, Alabama's hurricane preparedness holiday extended to portable generators with a selling price of \$1,000 or less per item and other hurricane preparedness supplies sold for \$60 or less per item. Localities were given the option of participating in the holiday. During Louisiana's two-day sales tax holiday, qualifying items with a sales price of \$1,500 or less could be purchased exempt of the sales and use tax.

Proposal

This bill would add gas-powered chainsaws with a selling price of \$350 or less and chainsaw accessories to the list of items that qualify for exemption during the sales tax holiday for hurricane preparedness items.

The effective date of this bill is not specified.

Similar Legislation

Senate Bill 766 is identical to this bill.

cc : Secretary of Finance

Date: 1/21/2013 KP
DLAS File Name HB1523F161