

DEPARTMENT OF TAXATION

2012 Fiscal Impact Statement

1. **Patron** Frank M. Ruff, Jr.

2. **Bill Number** SB 642

3. **Committee** Senate Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. **Title** Retail Sales and Use Tax; Lottery Tickets

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would impose the Retail Sales and Use Tax on the sale of lottery tickets. Under current law, the sale of lottery tickets is exempt from all state and local taxes.

The effective date of this bill is not specified.

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

Page 1, Revenue Estimates

7. **Fiscal Impact Estimates are:** Preliminary. (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

Assuming the Retail Sales and Use Tax is applied to the existing sales price for lottery tickets, the estimated state and local revenue gain would be \$68.67 million in Fiscal Year 2013, \$76.63 million in Fiscal Year 2014, \$78.39 million in Fiscal Year 2015, \$80.19 million in Fiscal Year 2016, \$82.04 million in Fiscal Year 2017 and \$83.92 million in Fiscal Year 2018.

Because the bill does not specify how the tax will be levied, the actual revenue impact of this bill may be lower than these estimates. If the sales price of lottery tickets is decreased in order to keep the total price, including tax, at a whole dollar amount, the revenue generated by the tax would be offset by the decrease in revenue generated by lottery sales. Currently, the revenue generated by lottery sales is dedicated to the Lottery Proceeds Fund.

9. Specific agency or political subdivisions affected:

Department of Taxation
Virginia Lottery

10. Technical amendment necessary: Yes.

In order to make the provisions of this bill easier to implement, the Department suggests the following technical amendment:

Page 3, Line 141, after persons.

Insert: With respect to the tax imposed upon lottery tickets, the tax shall not increase the price of the ticket, but shall be included in the amount per ticket collected.

11. Other comments:

Current Tax Treatment of Lottery Ticket Sales

Under current law, with the exception of income tax, no state or local taxes of any type may be imposed on prizes awarded or the sale of any lottery ticket sold pursuant to the state lottery law.

Virginia Constitutional Provisions, Lottery

Section 7-A of the *Virginia Constitution* requires that the net revenues of any lottery conducted by Virginia be allocated to the Lottery Proceeds Fund. Lottery proceeds must be appropriated from the Fund to Virginia's counties, cities, and towns, and the school divisions to be used for public education. The *Constitution* authorizes the General Assembly to appropriate amounts from the Fund for other purposes only by a vote of four-fifths of the members voting in each house.

Proposal

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cc : Secretary of Finance

Date: 1/28/2012 KP
DLAS File Name: SB642F161