

# DEPARTMENT OF TAXATION

## 2014 Fiscal Impact Statement

1. **Patron** Adam P. Ebbin

2. **Bill Number** SB 320

3. **Committee** Senate Finance

**House of Origin:**

X **Introduced**

       **Substitute**

       **Engrossed**

4. **Title** Miscellaneous Local Tax; Disposable Bag  
Tax in Planning District 8

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

### 5. **Summary/Purpose:**

This bill would authorize localities in Planning District 8 to impose a \$0.05 tax, beginning July 1, 2015, on each disposable paper and plastic bag provided to consumers by retailers in grocery stores, convenience stores, and drug stores. The Tax Commissioner would be required to collect, administer, and enforce the tax. Revenues from the tax would be distributed to the county or city imposing the tax. The bill would also require the Tax Commissioner to develop and make publicly available guidelines implementing the tax.

Planning District 8 is currently defined as the Counties of Arlington, Fairfax, Loudoun and Prince William and the Cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park.

The effective date of this bill is not specified.

6. **Budget amendment necessary:** Yes.  
Items 270 and 272, Department of Taxation

7. **Fiscal Impact Estimates are:** Not available. (See Line 8.)

#### 7a. **Expenditure Impact:**

<i><b>Fiscal Year</b></i>	<i><b>Dollars</b></i>	<i><b>Positions</b></i>	<i><b>Fund</b></i>
2013-14	\$0	1	GF
2014-15	\$137,300	1	GF
2015-16	\$105,700	1	GF
2016-17	\$ 93,700	1	GF
2017-18	\$ 96,100	1	GF
2018-19	\$ 98,500	1	GF
2019-20	\$101,900	1	GF

## **8. Fiscal implications:**

### Administrative Costs Impact

In implementing, administering, and enforcing the local bag taxes for applicable localities in Planning District 8, the Department would incur administrative costs of \$137,300 in Fiscal Year 2015, \$105,700 in Fiscal Year 2016, \$93,700 in Fiscal Year 2017, \$96,100 in Fiscal Year 2018, \$98,500 in Fiscal Year 2019, and \$101,900 in Fiscal Year 2020. The Department's primary costs in Fiscal Year 2015 would be incurred expanding returns and other forms to include additional lines, changing the Department's systems to account for the additional local bag taxes, and distributing mailers to affected taxpayers to notify them of the new taxes. Local schedules would be needed to ensure accurate distribution to the proper localities. The Department would also need to hire one full time auditor to perform audits in the Northern Virginia region.

### Revenue Impact

The tax proposed in this bill would result in an increase in local revenue to those localities in Planning District 8 that elect to impose the tax. Planning District 8 is comprised of the counties of Arlington, Fairfax, Loudoun and Prince William and the cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park. The magnitude of the revenue gain would depend on the number of bags used and consumer shopping behavior in those localities.

The proposed tax is similar to the taxes adopted in the District of Columbia in 2009 and in Montgomery County, Maryland in 2011, both of which are imposed at the rate of 5 cents per bag. Unlike the taxes in the District of Columbia and Maryland, dealers would not be entitled to a discount for timely filing the taxes proposed in this bill. Based upon the revenue generated in the District of Columbia and Montgomery County from these similar bills, adjusted for population and the difference in the taxes, and assuming every locality in Planning District 8 adopted the tax, this bill could generate combined revenues for all the localities ranging between \$7 million and \$11 million annually.

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

Counties of: Arlington, Fairfax, Loudoun, and Prince William

Cities of: Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park

## **10. Technical amendment necessary: Yes.**

To clarify that the Department of Taxation must administer this tax in the same manner as the state Retail Sales and Use Tax is administered, the Department suggests the following technical amendment:

Line 23, after: this tax

Strike: . The

Insert: in the same manner that he collects, administers, and enforces the Retail Sales and Use Tax under Chapter 6 of Title 58.1, mutatis mutandis. However, the dealer discount provided under § 58.1-622 shall not be allowed and the

## 11. Other comments:

### Proposal

This bill would authorize localities in Planning District 8 to impose a \$0.05 tax, beginning July 1, 2015, on each disposable paper and plastic bag provided to consumers by retailers in grocery stores, convenience stores, and drug stores. Revenues from the tax would be distributed to the county or city imposing the tax.

Under the terms of the bill, the Tax Commissioner would be required to collect, administer, and enforce the tax, and to develop and make publicly available guidelines implementing the tax.

Localities that elect to enact the tax would need to provide the Tax Commissioner with a certified copy of the ordinance imposing the tax at least six months prior to the date on which the tax will become effective. The ordinance would need to specify that the tax is effective on the first day of a calendar quarter.

The effective date of this bill is not specified.

### Other Localities

**District of Columbia:** Currently, the District of Columbia imposes a fee on disposable carry-out bags. Retailers that sell food or alcohol must charge a \$0.05 fee for each paper or plastic disposable bag provided to customers at the point of sale. Retailers may retain \$0.01 of the tax collected or \$0.02 if the retailer allows customers a credit for providing their own bags for packaging purchases.

**Montgomery County, Maryland:** Montgomery County enacted legislation in 2011 that imposes a \$0.05 fee on every paper or plastic carryout bag provided by retail establishments in the County, and allows retailers to retain \$0.01 cent for the bags they sell a customer. Revenues from the tax are deposited into the County's Water Quality Protection Charge fund.

### Similar Legislation

**House Bill 117** would impose a \$0.05 state tax and authorize the imposition of a \$0.05 tax in counties and cities on disposable paper and plastic bags provided by retailers in grocery, convenience, and drug stores.

cc : Secretary of Finance

Date: 1/14/2014 KP  
DLAS File Name: SB320F161