

**DEPARTMENT OF TAXATION
2015 Fiscal Impact Statement**

1. **Patron** Thomas K. Norment, Jr.
3. **Committee** Passed by House and Senate
4. **Title** Retail Sales and Use Tax;
Charges Excluded from Gross Proceeds

2. **Bill Number** SB 1119
House of Origin:
 Introduced
 Substitute
 Engrossed
- Second House:**
 In Committee
 Substitute
 X **Enrolled**

5. Summary/Purpose:

This bill would clarify that for purposes of determining the charges that are subject to the Retail Sales and Use Tax in a taxable lease or rental, certain charges are excluded from gross proceeds. Specifically, the bill would exclude from gross proceeds: finance charges, carrying charges, service charges, or interest charges from credit extended on the lease or rental under conditional lease, conditional rental, or other conditional contracts providing for the deferred payments of the lease or rental.

Under current law, in order to determine the amount subject to sales and use tax on the rental or lease of tangible personal property, the renter or lessor must deduct from "gross proceeds" the same charges as are deducted from "sales price" when computing the total amount subject to sales taxes for sales of tangible personal property. Under current law, sales price excludes "finance charges, carrying charges, service charges, or interest charges from credit extended on the sale of tangible personal property under conditional sale contracts, or other conditional contracts providing for deferred payments of the purchase price."

The effective date of this bill is not specified.

6. **Budget amendment necessary:** No.
7. **No Fiscal Impact.** (See Line 8.)
8. **Fiscal implications:**

As this bill clarifies current law and makes no substantive changes to the way in which sales and use taxes are collected on the lease or rental of tangible personal property, this bill would have no impact on state or local revenue.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

With some exceptions, Virginia law generally taxes the sale of tangible personal property in the same manner as the lease or rental of such property. Any person engaged in the business of leasing or renting tangible personal property to others is therefore required to register as a dealer and collect and pay the tax on gross proceeds. Current law defines “gross proceeds” as the charges made or voluntary contributions received for the lease or rental of tangible personal property or for the furnishing of services.

In order to determine the amount subject to sales and use tax on the rental or lease of tangible personal property, the renter or lessor must deduct from gross proceeds the same charges as are deducted from “sales price” when computing the total amount subject to sales taxes for sales of tangible personal property. Under current law, sales price excludes “finance charges, carrying charges, service charges, or interest charges from credit extended on the sale of tangible personal property under conditional sale contracts, or other conditional contracts providing for deferred payments of the purchase price.”

Proposal

This bill would clarify that for purposes of determining the charges that are subject to the Retail Sales and Use Tax in a taxable lease or rental, a lessor or renter must deduct the following charges: finance charges, carrying charges, service charges, or interest charges from credit extended on the lease or rental under conditional lease, conditional rental, or other conditional contracts providing for the deferred payments of the lease or rental. Because these charges are deductible from gross proceeds under current law, this bill would make no changes to the manner in which the sales and use tax is collected on taxable leases and rentals.

The effective date of this bill is not specified.

cc : Secretary of Finance

Date: 2/19/2015 KP
DLAS File Name: SB1119FER161