

DEPARTMENT OF TAXATION

2017 Fiscal Impact Statement

1. **Patron** Nicholas J. Freitas

3. **Committee** Senate Finance

4. **Title** Retail Sales and Use Tax; Exemption for
Textbooks and other Educational Materials

2. **Bill Number** HB 2377

House of Origin:

 Introduced

 Substitute

 Engrossed

Second House:

 X **In Committee**

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would extend the sunset date for the Retail Sales and Use Tax exemption for textbooks and other educational materials withdrawn from inventory at book-publishing distribution facilities to July 1, 2022. The exemption applies when such materials are withdrawn for free distribution to professors and other individuals with an educational focus.

The exemption is currently set to expire on July 1, 2017.

The effective date of this bill is not specified.

6. **Budget amendment necessary:** No.

7. **No Fiscal Impact.** (See Line 8.)

8. **Fiscal implications:**

Administrative Costs Impact

The Department would incur no additional administrative costs if the sunset date of this exemption were extended.

Revenue Impact

There would be no revenue impact associated with extending the sunset date of this exemption because the General Fund revenue forecast assumes the extension of all expiring exemptions.

9. **Specific agency or political subdivisions affected:** Department of Taxation

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

11. Other comments:

As the Retail Sales and Use Tax is typically collected at the time a taxable retail sale is made, retailers and other resellers are permitted an exemption on their purchases of items for resale. A reseller who withdraws an item from inventory that was purchased exempt of the tax using his resale exemption certificate is subject to use tax on the cost price of the item.

The exemption for textbooks and other educational materials is an exception to the general requirement that a business pay use tax on inventory withdrawn and donated free of charge. The exemption allows book-publishing distribution facilities to withdraw textbooks and other educational materials from inventory for free distribution to professors and other individuals with an educational focus free of the Retail Sales and Use Tax.

The exemption was first enacted in 1998 with a sunset date, which was extended in 2002, 2004, 2007, and 2012.

Proposal

This bill would extend the sunset date for the Retail Sales and Use Tax exemption for textbooks and other educational materials withdrawn from inventory at book-publishing distribution facilities to July 1, 2022. The exemption applies when such materials are withdrawn for free distribution to professors and other individuals with an educational focus, and is currently set to expire on July 1, 2017.

The effective date of this bill is not specified.

Similar Legislation

Senate Bill 804 extends the sunset date of the sales tax exemption for catalogs, letters, brochures and similar printed materials to July 1, 2022.

House Bill 1543 extends the sunset date of the sales tax exemption for audio-visual works to July 1, 2022.

cc : Secretary of Finance

Date: 1/27/2017 VB
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