

DEPARTMENT OF TAXATION

2017 Fiscal Impact Statement

1. **Patron** Charles W. Carrico, Sr.

2. **Bill Number** SB 1314

3. **Committee** Senate Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. **Title** Retail Sales and Use Tax; Spirits Sold at
Government Stores

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would impose an additional one percent sales and use tax on spirits sold at government stores in Virginia. The proceeds from the additional one percent tax imposed by this bill would be deposited into a newly created fund called the Supplemental Public Safety Fund (SPSF).

Under current law, spirits sold at government stores are subject to the Retail Sales and Use Tax at the rate applicable to the sale or consumption of tangible personal property generally. The currently applicable rate is 5.3 percent throughout the Commonwealth except in the Northern Virginia and Hampton Roads regions where the rate is 6 percent.

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.)

7b. **Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
[2016-17]	\$0	
[2017-18]	\$7.0M	SPSF
[2018-19]	\$7.0M	SPSF
[2019-20]	\$7.1M	SPSF
[2020-21]	\$7.2M	SPSF
[2021-22]	\$7.3M	SPSF
[2022-23]	\$7.3M	SPSF

8. Fiscal implications:

Administrative Costs

The Department of Taxation and the Virginia Department of Alcoholic Beverage Control consider implementation of this bill to be routine and do not require additional funds.

Revenue Impact

This bill would generate an additional estimated \$7M in FY 2017 and 2018, \$7.1M in FY 2019, \$7.2M in FY 2020, and \$7.3M in FY 2022 and 2023. The funds generated by the additional one percent tax imposed by this bill would be deposited into the newly created Supplemental Public Safety Fund.

This bill would have no impact on General Fund revenues.

9. Specific agency or political subdivisions affected:

Department of Taxation, Virginia Department of Alcoholic Beverage Control

10. Technical amendment necessary: Yes

Page 1, Line 35. After retail - strike: "use", Insert: "sales"

11. Other comments:

Generally, the Retail Sales and Use Tax applies to all retail sales or consumption of tangible personal property in the Commonwealth.

Under current law, spirits sold at government stores, commonly referred to as "ABC Stores", are subject to the Retail Sales and Use Tax generally. The current rate of tax collected is 6 percent in the Northern Virginia and Hampton Roads regions and 5.3 percent everywhere else in the Commonwealth. The term "Government Stores" also includes government stores established on a licensed distiller's premises.

The term "spirits" is defined as any beverage which contains alcohol obtained by distillation mixed with drinkable water and other substances, in solution, and includes, among other things, brandy, rum, whiskey, and gin, or any one or more of the last four named ingredients; but shall not include any such liquors completely denatured in accordance with formulas approved by the United States government.

House Bill 418 of the 1992 Acts of General Assembly removed the exemption for alcoholic beverages sold by the Virginia Alcoholic Beverage Control Board through government stores. Since then, sales tax revenue collected on the sale of spirits in ABC Stores has been deposited into the General Fund.

Proposal

This bill would impose an additional one percent sales and use tax on spirits sold at government stores in Virginia. The proceeds from the additional one percent tax imposed by this bill would be deposited into a newly created fund called the Supplemental Public Safety Fund. The dealer discount set forth in § 58.1-622 is disallowed on the tax that would be imposed by this bill.

This bill also would create a special non-reverting fund called the Supplemental Public Safety Fund. The funds in the SPSF would be used solely to fund initiatives specifically identified in a general appropriation act that are designed to support law-enforcement personnel and the carrying out of official law-enforcement duties.

The effective date of this bill is not specified.

cc : Secretary of Finance

Date: 1/21/2017 VB
SB1314F161