

DEPARTMENT OF TAXATION

2017 Fiscal Impact Statement

1. **Patron** Scott A. Surovell

3. **Committee** Senate Finance

4. **Title** Retail Sales and Use Tax; Sales Tax
Holidays; Adds Computers; Excludes
Generators

2. **Bill Number** SB 1336

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would expand the items qualifying for exemption during the sales tax holiday for school supplies and clothing to include laptop, desktop, and tablet computers with a maximum sales price of \$700. Computer supplies and additional, separate hardware or software items would be excluded. The bill would exclude portable generators with a maximum sales price of \$1,000 from the items qualifying for the hurricane preparedness sales tax holiday. Additionally, the bill would extend the sunset date for the sales tax holidays for school supplies and clothing and hurricane preparedness from July 1, 2017 to July 1, 2022.

Under current law, school supplies and clothing, Energy Star and WaterSense products, and hurricane preparedness products may be purchased exempt from the Retail Sales and Use Tax during an annual three-day holiday beginning the first Friday in August and ending at 11:59 p.m. on the following Sunday.

The effective date of this bill is not specified.

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

7. **Fiscal Impact Estimates are:** Preliminary. (See Line 8.)

8. **Fiscal implications:**

Administrative Costs Impact

The Department considers implementation of this bill as “routine” and does not require additional funding.

Revenue Impact

The Department estimates that this bill would be revenue neutral. The continuation of the sales tax holidays is assumed in the revenue forecast. Additionally, the revenue gained from excluding portable generators with a maximum sales price of \$1,000 is estimated to

offset the revenue loss from including laptop, desktop, and tablet computers with a maximum sales price of \$700.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Sales Tax Holidays

Legislation in the 2015 General Assembly Session combined the three separate sales tax holidays for hurricane preparedness, school supplies and clothing, and Energy Star and WaterSense products into one annual three-day holiday. The holidays are scheduled to expire on July 1, 2017.

Sales Tax Holiday for School Supplies and Clothing

The sales tax holiday for school supplies and clothing was originally enacted in 2006. School supply items, including dictionaries, notebooks, pens, pencils, notebook paper, calculators, and similar items, can be purchased exempt of the Retail Sales and Use Tax, provided that the sales price for each item does not exceed \$20. Articles of clothing with a sales price of \$100 or less per item are also exempt during the holiday period.

Hurricane Preparedness Sales Tax Holiday

The Hurricane Preparedness Sales Tax Holiday was enacted in 2007. Items eligible for the hurricane preparedness exemption during the holiday include portable generators with a selling price of \$1,000 or less per item, gas-powered chainsaws with a sales price of \$350 or less per item, and additional hurricane preparedness equipment, such as carbon monoxide detectors, batteries, radios, and fuel tanks with a selling price of \$60 or less per item.

Energy Star and WaterSense Sales Tax Holiday

The Energy Star Sales Tax Holiday was enacted in 2007 and expanded in 2008 to include qualifying WaterSense items. Qualifying items must be purchased for noncommercial, residential use, and the sales price for each qualifying item must not exceed \$2,500.

Energy Star qualified products include any dishwasher, clothes washer, air conditioner, ceiling fan, compact fluorescent light bulb, dehumidifier, programmable thermostat, or refrigerator, the energy efficiency of which has been designated by the United States Environmental Protection Agency and the United States Department of Energy as meeting or exceeding each such agency's requirements under the Energy Star program. WaterSense qualified products are defined as those products that have been recognized as being water efficient by the WaterSense program, as indicated by a WaterSense label.

Qualifying items include bathroom sink faucets, faucet accessories, toilets, showerheads, urinals, and landscape irrigation controllers.

Other States

In addition to Virginia, 16 states held sales tax holidays in 2016. Computers qualified for exemption during the sales tax holiday in six states (Alabama, Georgia, Missouri, New Mexico, South Carolina, and Tennessee). South Carolina provided the exemption for all computers regardless of price. The maximum sales price of qualifying computers for the other five states ranged from \$750 to \$1,500.

Proposal

This bill would expand the items qualifying for exemption during the sales tax holiday for school supplies and clothing to include laptop, desktop, and tablet computers with a maximum sales price of \$700. Computer supplies and additional, separate hardware or software items would be excluded. The bill would exclude portable generators with a maximum sales price of \$1,000 from the items qualifying for hurricane preparedness sales tax holiday. Additionally, the bill would extend the sunset date for the sales tax holidays for school supplies and clothing and hurricane preparedness from July 1, 2017 to July 1, 2022.

The effective date of this bill is not specified.

Similar Legislation

House Bill 1529 and **Senate Bill 1018** would extend the sunset date from July 1, 2017 to July 1, 2022 for the combined sales tax holidays for school supplies and clothing, Energy Star and WaterSense products, and hurricane preparedness products.

cc : Secretary of Finance

Date: 1/22/2017 AM
DLAS File Name: SB1336F161