

# DEPARTMENT OF TAXATION

## 2017 Fiscal Impact Statement

- |  |                                       |
|--|---------------------------------------|
| <b>1. Patron</b> Emmett W. Hanger, Jr.   | <b>2. Bill Number</b> <u>SB 804</u>   |
|  | <b>House of Origin:</b>               |
|  | <u>          </u> <b>Introduced</b>   |
|  | <u>          </u> <b>Substitute</b>   |
|  | <u>          </u> <b>Engrossed</b>    |
| <b>3. Committee</b> Passed House and Senate  |                                       |
| <b>4. Title</b> Retail Sales and Use Tax; Extends Sunset<br>for Printing Materials Exemption | <b>Second House:</b>                  |
|  | <u>          </u> <b>In Committee</b> |
|  | <u>          </u> <b>Substitute</b>   |
|  | <u>      X      </u> <b>Enrolled</b>  |

### 5. Summary/Purpose:

This bill would extend the sunset date for the Retail Sales and Use Tax exemption allowed for the purchase of printing materials by advertising businesses when the printed material is distributed outside the Commonwealth. The exemption is scheduled to expire July 1, 2017, and would be extended under the terms of this bill to July 1, 2022. The bill would also require the Department to submit a report to the House Appropriations Committee and the House and Senate Finance Committees providing an estimate of the revenue impact associated with this exemption by November 15, 2021.

Under current law, advertising businesses that purchase printing from Virginia printers are not deemed the users or consumers of printed materials distributed outside the Commonwealth if the purchases would have qualified for the exemptions for either: 1) publications and supplements issued at regular intervals more frequent than three months or 2) catalogs, letters, brochures, reports, and similar printed materials stored within the Commonwealth for twelve months or less and distributed outside the Commonwealth.

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

This bill would require the Department to submit a report on the revenue impact of this exemption by November 15, 2021. The cost of preparing this report should be minimal and the Department does not anticipate the need for an appropriation.

## Revenue Impact

There is no revenue impact associated with extending the sunset date 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:**

This bill would extend the sunset date for the Retail Sales and Use Tax exemption available for printing materials purchased by advertising businesses to be shipped out-of-state. This exemption was enacted by the 1995 General Assembly to make Virginia printers more competitive with out-of-state printers. This legislation provides a sales tax exemption for sales of printing to a Virginia advertising business for distribution out-of-state. Newspaper supplements, not otherwise exempted, purchased by advertising agencies for placement in in-state or out-of-state publications are also exempt.

In 1985, the General Assembly enacted legislation that exempted advertising businesses from collecting the sales tax on their sales and provided that effective July 1, 1986, advertising businesses would be treated as service providers. As a service provider, an advertising business is deemed to be the user and consumer of all tangible personal property used to provide their exempt service. As a service provider, purchases of printing by advertising businesses did not qualify for the sales tax exemption for printing destined for delivery out-of-state.

The 1994 General Assembly enacted legislation which extended the printing exemption to out-of-state advertising business purchases from Virginia printers. This exemption was extended to all advertising businesses by the 1995 General Assembly with a sunset date of June 30, 2002. The sunset date has since been extended to July 1, 2004, July 1, 2008, July 1, 2012, and July 1, 2017.

## Proposal

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cc : Secretary of Finance

Date: 2/21/2017 VB  
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