

DEPARTMENT OF TAXATION

2020 Fiscal Impact Statement

1. **Patron** Alfonso H. Lopez

3. **Committee** Senate Finance and Appropriations

4. **Title** Plastic Bag Tax

2. **Bill Number** HB 1151

House of Origin:

 Introduced

 Substitute

 Engrossed

Second House:

 X **In Committee**

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would permit any locality to impose upon every consumer of tangible personal property a tax in the amount of five cents (\$0.05) for each disposable plastic bag provided, whether free or for a cost, to the consumer by a restaurant or retailer in a grocery store, convenience store, or drug store. It would also allow every restaurant or retailer that collects the tax to retain one cent of the five-cent tax if the tax is paid in a timely manner. The bill would direct revenue from the tax be deposited in equal sums into the Virginia Water Quality Improvement Fund and the Virginia Natural Resources Commitment Fund.

If enacted during the Regular Session of the 2020 General Assembly, this bill would become effective July 1, 2020.

6. **Budget amendment necessary:** Yes

Item 282, Department of Taxation

7. **Fiscal Impact Estimates are:** Not available. (See Line 8.)

8. **Fiscal implications:**

Administrative Costs

This bill would result in administrative costs to the Department of \$61,000 in Fiscal Year 2020; \$533,000 in Fiscal Year 2021; \$15,000 in Fiscal Years 2022 and 2023; and then \$14,000 annually thereafter. Such expenses would be associated with forms and systems changes, and notifying taxpayers of the new tax. The Department would need the following budget amendment to recover its costs from the revenues collected:

Z. The Department of Taxation is hereby appropriated revenues from the Plastic Bag Tax to recover any administrative costs for collecting the tax incurred by the Department of Taxation as provided by § 58.1-1745, Code of Virginia.

Revenue Impact

This bill would have a positive impact on state non-General Fund revenues beginning in Fiscal Year 2021. The magnitude of the revenue gain from this tax depends upon the localities that impose the tax, the number of bags used, and consumer shopping behavior.

9. Specific agency or political subdivisions affected:

Department of Taxation
Localities that choose to impose the tax

10. Technical amendment necessary: No

11. Other comments:

Neighboring Localities

District of Columbia: Currently, the District of Columbia imposes a fee on disposable carry-out bags. Retailers that sell food or alcohol must charge a \$0.05 fee for each paper or plastic disposable bag provided to customers at the point of sale. Retailers may retain \$0.01 of the tax collected or \$0.02 if the retailer allows customers a credit for providing their own bags for packaging purchases.

Montgomery County, Maryland: Montgomery County enacted legislation in 2011 that imposes a five-cent fee on every paper or plastic carryout bag provided by retail establishments in the County, and allows retailers to retain 1 cent for the bags they sell a customer. Revenues from the tax are deposited into the County's Water Quality Protection Charge fund.

Proposal

This bill would permit any locality to impose upon every consumer of tangible personal property a tax in the amount of five cents (\$0.05) for each disposable plastic bag provided, whether free or for a cost, to the consumer by a restaurant or retailer in a grocery store, convenience store, or drug store.

The tax imposed under this bill would not apply to the following:

- Durable plastic bags with handles that are specifically designed and manufactured for multiple reuse;
- Plastic bags used to carry ice cream, meat, fish, poultry, leftover restaurant food, newspapers, or dry cleaning;
- Plastic bags used to carry alcoholic beverages or prescription drugs; and
- Multiple plastic bags sold in packages and intended for use as garbage, pet waste, or leaf removal bags.

The bill would direct that revenue from the local tax be deposited in equal sums into the Virginia Water Quality Improvement Fund and the Virginia Natural Resources Commitment Fund. It would also allow every restaurant or retailer that collects the tax to retain one cent of the five-cent tax if the tax is paid in a timely manner.

The Tax Commissioner would collect, administer, and enforce the tax in the same manner that he collects, administers, and enforces the retail sales and use tax. The Tax Commissioner would also be required to develop and make publicly available guidelines implementing the provisions of the tax.

If enacted during the Regular Session of the 2020 General Assembly, this bill would become effective July 1, 2020.

Similar Legislation

Senate Bill 11 would impose a local tax in each locality in Planning District 8 in the amount of five cents for each disposable plastic bag provided to a consumer of tangible personal property by retailers in grocery stores, convenience stores, or drugstores, whether or not provided free of charge. The bill would also authorize any locality to impose such a tax.

House Bill 534 would impose a fee of five cents per bag on disposable plastic bags provided to consumers of tangible personal property, with certain bags being exempt from the tax. Revenues from the local tax would be collected by the Tax Commissioner and distributed equally into the Virginia Water Quality Improvement Fund and the Litter Control and Recycling Fund beginning July 1, 2021.

cc: Secretary of Finance

Date: 2/13/2020 SK
HB1151FH1161