

**DEPARTMENT OF TAXATION  
2020 Fiscal Impact Statement**

1. **Patron** Mark L. Cole

2. **Bill Number** HB 1575

3. **Committee** House Finance

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

4. **Title** Merchants' Capital Tax; Separate  
Classification; Retailers

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

**5. Summary/Purpose:**

This bill would expand the separate classification of merchants' capital currently established for property owned by wholesalers, to include property owned by retailers, that is reported as inventory and is normally located in a structure that contains at least 100,000 square feet, with at least 100,000 square feet used solely to store such inventory.

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

6. **Budget amendment necessary:** No

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

**8. Fiscal implications:**

Administrative Costs

This bill could result in unknown administrative costs to localities that levy a merchants' capital tax. It would have no impact on state administrative costs.

Revenue Impact

There could be an unknown revenue impact on localities that levy a merchants' capital tax as such localities would have the option of taxing this new classification at a lower rate than other merchants' capital. This bill would have no impact on state revenues.

**9. Specific agency or political subdivisions affected:**

All localities

10. **Technical amendment necessary:** No

## 11. Other comments:

### Background

For local tax purposes, “merchants’ capital” is defined as inventory of stock on hand; daily rental vehicles; and all other taxable personal property of any kind whatsoever, except money on hand and on deposit and except tangible personal property not offered for sale as merchandise. This classification of personal property is segregated for local taxation but no locality is required to impose a tax on such property.

According to Weldon Cooper’s *2018 Virginia Local Tax Rates*, 44 counties and nine towns imposed a merchants’ capital tax either exclusively or in conjunction with a Business, Professional, and Occupational License tax in Fiscal Year 2017. No cities imposed this tax.

Legislation passed in 1997 created a separate classification of merchants’ capital for pharmaceutical wholesalers. This allows localities that levy a tax on merchants’ capital to tax this property at a different rate, provided that the rate does not exceed the tax rate generally applicable to merchants’ capital.

Legislation passed in 2018 created a separate classification for certain merchants’ capital of wholesalers that is reported as inventory and is normally located, in a structure that contains at least 100,000 square feet, with at least 100,000 square feet used solely to store such inventory.

### Proposal

This bill would expand the separate classification of merchants’ capital currently established for property owned by wholesalers, to include property owned by retailers, that is reported as inventory and is normally located in a structure that contains at least 100,000 square feet, with at least 100,000 square feet used solely to store such inventory.

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cc: Secretary of Finance

Date: 1/19/2020 SK  
HB1575F161