

# DEPARTMENT OF TAXATION

## 2020 Fiscal Impact Statement

1. **Patron** Betsy B. Carr

3. **Committee** Senate Finance and Appropriations

4. **Title** Plastic Bag Fee

2. **Bill Number** HB 534

**House of Origin:**

           **Introduced**

           **Substitute**

           **Engrossed**

**Second House:**

  X   **In Committee**

           **Substitute**

           **Enrolled**

### 5. **Summary/Purpose:**

This bill would impose a fee in the amount of five cents (\$0.05) on disposable plastic bags, whether or not provided free of charge, provided to a consumer of tangible personal property by retailers in grocery stores, convenience stores, or drug stores. The fee would be collected by retailers at the point of sale. The bill would authorize retailers that timely collect the fee to retain one cent for every five cents collected. The plastic bag fee would not apply to:

- Durable plastic bags with handles that are specifically designed and manufactured for multiple reuse;
- Plastic bags used to carry ice cream, meat, fish, poultry, produce, unwrapped bulk food items, perishable food items, 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 fee would be administered by the Department of Taxation ("the Department"). Under the terms of the bill, the Department would be required to develop guidelines for implementing this fee. Revenues from the fee would be deposited equally into the Virginia Water Quality Improvement Fund and the Litter Control and Recycling Fund.

If enacted during the 2020 Regular Session of the General Assembly, this bill would become effective July 1, 2021.

### 6. **Budget amendment necessary:** Yes.

Item 282, Department of Taxation

### 7. **Fiscal Impact Estimates are:** Preliminary. (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 fee.

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 Disposable Plastic Bag Fee to recover any administrative costs for collecting the fee incurred by the Department of Taxation as provided by § 58.1-3835 (C), Code of Virginia.*

### Revenue Impact

The fee proposed in this bill would result in a revenue gain beginning in Fiscal Year 2022. The magnitude of the revenue gain from this fee would depend the number of bags used and consumer shopping behavior.

## 9. Specific agency or political subdivisions affected:

Department of Taxation

## 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 fee 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.

### Proposal

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If enacted during the 2020 Regular Session of the General Assembly, this bill would become effective July 1, 2020. The fee imposed by this bill would be effective July 1, 2021.

#### Similar Legislation

**Senate Bill 11** would impose a local tax in every locality in Planning District 8 in the amount of \$0.05 tax on disposable plastic bags provided to consumers by certain retailers. The bill would also authorize every locality to impose such a tax.

**House Bill 1151** would permit any locality to impose a \$0.05 plastic bag tax.

cc: Secretary of Finance

Date: 2/14/2020 SK  
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