

DEPARTMENT OF TAXATION

2020 Fiscal Impact Statement

1. **Patron** Adam P. Ebbin

2. **Bill Number** SB 11

House of Origin:

 Introduced

 Substitute

 Engrossed

3. **Committee** House Finance

4. **Title** Disposable Plastic Bag Tax

Second House:

 X **In Committee**

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would impose a tax in each locality in Planning District 8 (the counties of Arlington, Fairfax, Loudoun, and Prince William; and the cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park) in the amount of five cents (\$0.05) on each disposable plastic bag provided to a consumer of tangible personal property by retailers in grocery stores, convenience stores, or drug stores, whether or not provided free of charge.

Any locality not located in Planning District 8 would be authorized to impose a tax in the amount of five cents (\$0.05) on each disposable plastic bag provided, whether or not provided free of charge, to a consumer of tangible personal property by retailers in grocery stores, convenience stores, or drugstores.

This bill would provide that beginning July 1, 2021, and ending July 1, 2023, every retailer that collects a plastic bag tax would be allowed to retain two cents (\$0.02) from the tax collected on each disposable plastic bag, provided that each such retailer shall dedicate at least 50 percent of such retained amount to promoting the use of reusable bags by its customers. Beginning July 1, 2023, every retailer that collects a plastic bag tax would be allowed to retain one cent (\$0.01) from the tax collected on each disposable plastic bag, without restriction on the use of the retained amount.

Under this bill, each local ordinance imposing a plastic bag tax must provide for collection, administration, and enforcement of such tax by the locality and include provisions allowing for the retailer discount.

All revenue accruing to the locality from a tax imposed under the provisions of this article must be appropriated for the purpose of environmental cleanup, education programs designed to reduce environmental waste, or mitigating pollution and litter.

The plastic bag tax 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.

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

6. Budget amendment necessary: No

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

8. Fiscal implications:

Administrative Costs

This bill would result in unknown administrative costs to localities in Planning District 8. It could result in administrative costs to localities outside Planning District 8 that impose the plastic bag tax.

Revenue Impact

The tax proposed in this bill would result in an unknown local revenue gain beginning in Fiscal Year 2022. The magnitude of the revenue gain from this tax would depend on the number of bags used and consumer shopping behavior.

This bill would have no impact on state revenues.

9. Specific agency or political subdivisions affected:

Department of Taxation
Localities

10. Technical amendment necessary: No.

11. Other comments:

Neighboring Localities

District of Columbia: Currently, the District of Columbia imposes a tax on disposable carry-out bags. Retailers that sell food or alcohol must charge a \$0.05 tax 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 tax 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

This bill would impose a tax in each locality in Planning District 8 (the counties of Arlington, Fairfax, Loudoun, and Prince William; and the cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park) in the amount of five cents (\$0.05) on each disposable plastic bag provided to a consumer of tangible personal property by retailers in grocery stores, convenience stores, or drug stores, whether or not provided free of charge.

Any locality not located in Planning District 8 would be authorized to impose a tax in the amount of five cents (\$0.05) for each disposable plastic bag provided, whether or not provided free of charge, to a consumer of tangible personal property by retailers in grocery stores, convenience stores, or drugstores.

This bill would provide that beginning July 1, 2021, and ending July 1, 2023, every retailer that collects a plastic bag tax imposed by a locality would be allowed to retain two cents (\$0.02) from the tax collected on each disposable plastic bag, provided that each such retailer shall dedicate at least 50 percent of such retained amount to promoting the use of reusable bags by its customers. Beginning July 1, 2023, every retailer that collects a plastic bag tax would be allowed to retain one cent (\$0.01) from the tax collected on each disposable plastic bag, without restriction on the use of the retained amount.

Under this bill, each local ordinance imposing the plastic bag tax must provide for collection, administration, and enforcement of such tax by the locality and include provisions allowing for the retailer discount.

All revenue accruing to the locality from a tax imposed under the provisions of this article must be appropriated for the purpose of environmental cleanup, education programs designed to reduce environmental waste, or mitigating pollution and litter.

The plastic bag tax 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.

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Similar Legislation

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

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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