

DEPARTMENT OF TAXATION

2021 Fiscal Impact Statement

1. **Patron** Emily M. Brewer

3. **Committee** House Agriculture, Chesapeake and
Natural Resources

4. **Title** Peanut Excise Tax; Extension of Sunset
Date and Rate Reduction

2. **Bill Number** HB 1751

House of Origin:

X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would extend from July 1, 2021, to July 1, 2026, the sunset date for the excise tax on all peanuts grown in Virginia and reduce the tax rate from \$0.30 per 100 pounds to \$0.25 per 100 pounds.

If enacted during the regular session of the 2021 General Assembly, this bill would become effective July 1, 2021.

6. **Budget amendment necessary:** No

7. **Fiscal Impact Estimates are:** Preliminary (See Line 8.)

8. **Fiscal implications:**

Administrative Costs

The Department of Taxation ("the Department") considers implementation of this bill as routine, and does not require additional funding.

Revenue Impact

This bill would have no impact on General Fund revenues. Reducing the tax rate would reduce non-General Fund revenues by \$30,000 in Fiscal Year 2022 and \$60,000 annually for Fiscal Years 2023 through 2026. The table below shows annual Peanut Excise Tax revenues collected from Fiscal Year 2016 through Fiscal Year 2020

Fiscal Year	Revenue
2016	\$320,000
2017	\$265,000
2018	\$357,000
2019	\$309,000
2020	\$366,000

9. Specific agency or political subdivisions affected:

Department of Taxation
Department of Agriculture and Consumer Services
Virginia Peanut Board

10. Technical amendment necessary: No

11. Other comments:

Background

The Peanut Excise Tax is levied on peanuts grown in and sold in the Commonwealth for processing. The processor is liable for payment of the tax on all peanuts purchased. A processor is defined as any person, individual, corporation, partnership, trust, association, cooperative and any and all other business units, devices and arrangements that clean, shell or crush peanuts.

Beginning July 1, 2010, the Peanut Excise Tax was imposed at a rate of \$0.30 per 100 pounds. The tax rate prior to July 1, 2010 was \$0.15 per 100 pounds. On July 1, 2016, the tax rate was set to revert to \$0.15 per 100 pounds. Legislation passed in 2016 extended the expiration date of the current \$0.30 per 100 pounds rate of the Peanut Excise Tax from July 1, 2016 to July 1, 2021. All revenue from the Peanut Excise Tax is deposited into the Peanut Fund. The tax is a semi-annual tax with returns due and payable on July 10 and February 15.

The Peanut Fund is a special nonreverting fund used solely for the purposes of paying the costs of collecting the tax levied on peanuts and the administration of the Virginia Peanut Board. The Virginia Peanut Board was created to plan and conduct campaigns for education, advertising, publicity, sales promotion, and research regarding Virginia peanuts. The Virginia Peanut Board may cooperate with other state, regional, and national agricultural and peanut organizations in research, advertising, publicity, education, and other means of promoting the sale and use of peanuts, and may expend moneys of the Peanut Fund for such purposes.

Proposal

This bill would extend from July 1, 2021, to July 1, 2026, the sunset date for the excise tax on all peanuts grown in Virginia and reduce the tax rate from \$0.30 per 100 pounds to \$0.25 per 100 pounds.

If enacted during the regular session of the 2021 General Assembly, this bill would become effective July 1, 2021.

cc : Secretary of Finance

Date: 1/11/2021SK
DLAS File Name: HB1751F161