

DEPARTMENT OF TAXATION

2022 Fiscal Impact Statement

1. **Patron** Alfonso H. Lopez

3. **Committee** House Finance

4. **Title** Retail Sales and Use Tax; Exemption for incontinence products

2. **Bill Number** HB 848

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would provide an exemption from the Retail Sales and Use Tax ("RSUT") for nondurable incontinence products including diapers, disposable undergarments, pads, and bed sheets.

Under current law, nondurable incontinence products are subject to sales tax at a reduced rate of 2.5 percent which is comprised of a 1.5 percent state rate and a 1 percent local rate.

If enacted during the regular session of the 2022 General Assembly, this bill would become effective July 1, 2022.

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

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

8. **Fiscal implications:**

Administrative Costs

This bill would have no impact on local administrative costs. The Department of Taxation considers implementation of this bill to be routine and does not require additional funding.

Revenue Impact

This bill would result in an estimated negative impact to General Fund revenues of \$1.1 million in Fiscal Year 2023 and \$1.2 million in Fiscal Years 2024 through 2028. This bill would result in an estimated negative impact to Commonwealth Transportation Fund of revenues of \$0.5 million in Fiscal Year 2023 and \$0.6 million in Fiscal Years 2024 through 2028. This bill would result in an estimated negative impact to local revenues of \$1.1 million in Fiscal Year 2023 and \$1.2 million in Fiscal Years 2024 through 2028.

Fund	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
General Fund, K-12	-\$1.1	-\$1.2	-\$1.2	-\$1.2	-\$1.2	-\$1.2
CTF	-\$0.5	-\$0.6	-\$0.6	-\$0.6	-\$0.6	-\$0.6
Local	-\$1.1	-\$1.2	-\$1.2	-\$1.2	-\$1.2	-\$1.2
Total	-\$2.7	-\$3.0	-\$3.1	-\$3.1	-\$3.1	-\$3.1

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Current Law

Chapters 549 and 550 of the 2019 *Acts of Assembly* changed the sales tax rate applicable to essential personal hygiene products to align with the rate applicable to food for human consumption. The applicable rate for these items is currently 2.5 percent, which is comprised of a 1.5 percent state and 1 percent local sales and use tax. Nondurable incontinence products are currently included in the definition of “essential personal hygiene products” and are therefore taxed at the reduced rate of 2.5 percent.

Proposal

This bill would provide an exemption from RSUT for nondurable incontinence products including diapers, disposable undergarments, pads, and bed sheets.

If enacted during the regular session of the 2022 General Assembly, this bill would become effective July 1, 2022.

Similar Legislation

House Bill 696 and **Senate Bill 451** would provide an RSUT exemption for essential personal hygiene products.

House Bill 1008, **Senate Bill 609**, and **Senate Bill 571** would provide an exemption from the state and local sales and use tax for food purchased for human consumption and essential personal hygiene products.

House Bill 90 and **Senate Bill 380** would provide an RSUT exemption for food purchased for human consumption and essential personal hygiene products and would dedicate state sales tax revenue to provide a supplemental school payment to localities.

cc : Secretary of Finance

Date: 1/23/2022 VB
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