

DEPARTMENT OF TAXATION

2023 Fiscal Impact Statement

1. **Patron** Timothy V. Anderson

3. **Committee** House Finance

4. **Title** Litter Tax; Penalty for Failure to Timely Pay

2. **Bill Number** HB 1645

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would reduce the penalty for failure to timely pay the litter tax from \$100, plus an amount equal to the taxes due and the amount that the Department of Taxation ("the Department") expends in collecting such delinquent taxes, to a single \$10 penalty.

Under current law, the penalty for failure to timely pay the litter tax is equal to \$100, plus an amount equal to the taxes due, including all delinquent taxes, and the amount that the Department expends in collecting such delinquent taxes.

If enacted during the regular session of the 2023 General Assembly, this bill would become effective July, 1, 2023.

6. **Budget amendment necessary:** No.

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

8. **Fiscal implications:**

Administrative Costs

The Department considers implementation of this bill as routine, and does not require additional funding.

Revenue Impact

This bill would have an unknown negative revenue impact to the Litter Control and Recycling Fund beginning in Fiscal Year 2024. Reducing the penalty for failure to file from \$100 to \$10 is estimated to result in a revenue loss as high as \$351,000 annually beginning in Fiscal Year 2024. The components of the bill that would eliminate the penalty equal to the amount of tax due and the penalty equal to the amount that the Department expends in collecting such delinquent taxes would have an additional unknown revenue loss. This portion is unknown because it depends on the amount of delinquent tax in future years, as well as the amount that would be expended in collecting such delinquent taxes.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Background

The Virginia Litter Tax is imposed annually at a rate of \$20 per establishment from which business is conducted by manufacturers, wholesalers, distributors, and retailers of:

- Food for human or pet consumption;
- Groceries;
- Cigarettes and tobacco products;
- Soft drinks and carbonated waters;
- Beer and other malt beverages;
- Wine;
- Newspapers and magazines;
- Paper products and household paper;
- Glass containers;
- Metal containers;
- Plastic or fiber containers made of synthetic material;
- Cleaning agents and toiletries;
- Nondrug drugstore sundry products;
- Distilled spirits; and
- Motor vehicle parts.

An additional litter tax of \$30 per establishment is imposed on manufacturers, wholesalers, distributors, and retailers of groceries, soft drinks, carbonated waters, and beer and other malt beverages. The Department has interpreted groceries to include produce and dairy products.

Litter Tax revenues, minus the necessary expenses of the Department of Taxation for the administration of this tax, as certified by the Commissioner, are deposited into the Litter Control and Recycling Fund. Litter tax returns and payments are due on May 1 of each year. Virginia imposes a penalty equal to 100% of the tax assessed, plus an additional \$100 if the litter tax is paid late.

Legislation enacted during the 2020 General Assembly increased the litter tax rate from \$10 per establishment to \$20 per establishment, and increased the additional litter tax on each establishment is imposed on manufacturers, wholesalers, distributors, and retailers of groceries, soft drinks, carbonated waters, beer, and other malt beverages from \$15 per establishment to \$30 per establishment.

Additionally, as a result of legislation enacted during the 2020 General Assembly, effective for Litter Tax payments due May 1, 2021, an additional penalty of \$100 is applied to any late payments. This penalty applies in addition to the existing 100% penalty and any interest that may accrue.

Proposal

This bill would reduce the penalty for failure to timely pay the litter tax from \$100, plus an amount equal to the taxes due and the amount that the Department expends in collecting such delinquent taxes, to a single \$10 penalty.

If enacted during the regular session of the 2023 General Assembly, this bill would become effective July, 1, 2023.

cc : Secretary of Finance

Date: 1/21/2023 SK
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