

# DEPARTMENT OF TAXATION

## 2024 Fiscal Impact Statement

1. **Patron** W. Chad Green

3. **Committee** House Finance

4. **Title** Annual Retail Sales and Use Tax Holiday

2. **Bill Number** HB 138

**House of Origin:**

X **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

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

This bill would effectively repeal the July 1, 2025 sunset date applicable to the annual retail sales and use tax holiday. The bill would also expand the holiday to include all Energy Star products with a sales price of \$2,500 or less per product purchased for noncommercial home or personal use.

Under current law, the sales tax holiday applies, among other items, to Energy Star qualified products with a selling price of \$2,500 or less per product purchased for noncommercial home or personal use, and for the purposes of this exemption, an Energy Star qualified product includes any dishwasher, clothes washer, air conditioner, ceiling fan, compact fluorescent light bulb, dehumidifier, programmable thermostat, or refrigerator.

This bill would become effective on July 1, 2025.

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

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

### 8. **Fiscal implications:**

#### Administrative Costs

The Department of Taxation considers implementation of this bill to be routine and does not require additional funding.

#### Revenue Impact

The provision of this bill expanding the annual retail sales and use tax holiday to include all Energy Star products with a sales price of \$2,500 or less per product purchased for noncommercial home or personal use would result in a substantial unknown revenue loss to the Commonwealth beginning in Fiscal Year 2026. Many Energy Star products not currently eligible for the sales tax holiday would become eligible under this provision of the bill. For example, this provision of the bill would apply to air cleaners, electric cooking

products, freezers, decorative light strings, computers, imaging equipment, monitors, electric vehicle chargers, pool pumps, audio/video, digital media player, slates and tablets, telephones, televisions, solar water heaters, and many other products not currently eligible for the sales tax holiday. Consequently, this provision of the bill would have an unknown negative impact revenue impact in Fiscal Year 2026 and thereafter.

Because the extension of sunset dates for the annual retail sales and use tax holiday is assumed in the official General Fund revenue forecast, the provision of the bill effectively repealing such sunset date would have not impact.

If it is not the intent of the bill to expand the annual retail sales and use tax holiday to include all Energy Star products with a sales price of \$2,500 or less per product purchased for noncommercial home or personal use, a technical amendment is suggested. See Line 10. If the technical amendment is accepted, the bill would have no revenue impact.

**9. Specific agency or political subdivisions affected:**

Department of Taxation

**10. Technical amendment necessary: Yes.**

If the intent of the bill is not to expand the exemption to include all Energy Star products with a sales price of \$2,500 or less per product purchased for noncommercial home or personal use, the following amendment is suggested:

Page 1, Line 24, After use, insert

For the purposes of this exemption, an Energy Star qualified product is any dishwasher, clothes washer, air conditioner, ceiling fan, compact fluorescent light bulb, dehumidifier, programmable thermostat, or refrigerator, the energy efficiency of which has been designated by the United States Environmental Protection Agency and the United States Department of Energy as meeting or exceeding each such agency's requirements under the Energy Star program.

**11. Other comments:**

Sales Tax Holidays

The twenty-fourth enactment clause of the 2023 Special Session I Amendments to the 2023 Appropriation Act (House Bill 6001, Special Session I, Chapter 1) reinstated the combined Retail Sales and Use Tax holiday authorized in state law applicable to Energy Star or WaterSense qualified products, school supplies, clothing and footwear, and certain hurricane preparedness equipment and extended the combined holiday through July 1, 2025. The prior combined sales tax holiday expired on July 1, 2023.

The sales tax holiday authorized for calendar year 2023 applied to those sales occurring during the three-day period that began on Friday, October 20, and ended at 11:59 p.m. on the following Sunday. In future years, the holiday will return to its customary dates and begin

at 12:01 a.m. on the first Friday in August of each year and will end at 11:59 p.m. on the Sunday immediately following.

Under current law, the sales tax holiday applies to:

- School supplies with a selling price of \$20 or less;
- Clothing and footwear with a selling price of \$100 or less;
- Energy Star qualified products with a selling price of \$2,500 or less per product purchased for noncommercial home or personal use, and for the purposes of this exemption, an Energy Star qualified product includes any dishwasher, clothes washer, air conditioner, ceiling fan, compact fluorescent light bulb, dehumidifier, programmable thermostat, or refrigerator;
- Portable generators with a selling price of \$1,000 or less per product; and
- Hurricane preparedness equipment.
- The combined sales tax holiday expires on July 1, 2025.

#### *Sales Tax Holiday for School Supplies and Clothing*

The sales tax holiday for school supplies and clothing was originally enacted in 2006. School supply items, including dictionaries, notebooks, pens, pencils, notebook paper, calculators, and similar items, can be purchased exempt of the Retail Sales and Use Tax, provided that the sales price for each item does not exceed \$20. Articles of clothing with a sales price of \$100 or less per item are also exempt during the holiday period.

#### *Hurricane Preparedness Sales Tax Holiday*

The Hurricane Preparedness Sales Tax Holiday was enacted in 2007. Items eligible for the hurricane preparedness exemption during the holiday include portable generators with a selling price of \$1,000 or less per item, gas-powered chainsaws with a sales price of \$350 or less per item, chainsaw accessories with a sales price of \$60 or less per item, and additional hurricane preparedness equipment, such as carbon monoxide detectors, batteries, radios, and fuel tanks with a selling price of \$60 or less per item.

#### *Energy Star and WaterSense Sales Tax Holiday*

The Energy Star Sales Tax Holiday was enacted in 2007 and expanded in 2008 to include qualifying WaterSense items. Qualifying items must be purchased for noncommercial, residential use, and the sales price for each qualifying item must not exceed \$2,500.

For purposes of the Sales Tax Holiday, Energy Star qualified products currently include any dishwasher, clothes washer, air conditioner, ceiling fan, light bulb, dehumidifier, or refrigerator, the energy efficiency of which has been designated by the United States Environmental Protection Agency and the United States Department of Energy as meeting or exceeding each such agency's requirements under the Energy Star program. WaterSense qualified products are defined as those products that have been recognized as being water efficient by the WaterSense program, as indicated by a WaterSense label. Qualifying items include bathroom sink faucets, faucet accessories, toilets, showerheads, urinals, and landscape irrigation controllers.

## Proposal

This bill would effectively repeal the July 1, 2025 sunset date applicable to the annual retail sales and use tax holiday. The bill would also expand the holiday to include all Energy Star products with a sales price of \$2,500 or less per product purchased for noncommercial home or personal use.

Under current law, the sales tax holiday applies, among other items, to Energy Star qualified products with a selling price of \$2,500 or less per product purchased for noncommercial home or personal use, and for the purposes of this exemption, an Energy Star qualified product includes any dishwasher, clothes washer, air conditioner, ceiling fan, compact fluorescent light bulb, dehumidifier, programmable thermostat, or refrigerator.

This bill would become effective on July 1, 2025.

## Similar Legislation

**Senate Bill 58, Senate Bill 64, Senate Bill 116, and House Bill 25** are identical to this bill.

cc : Secretary of Finance

Date: 1/15/2024 KS  
HB138F161