



Economic Impact Analysis Virginia Department of Planning and Budget

23 VAC 10-210 – Retail Sales and Use Tax Regulations
Department of Taxation
August 22, 2006

Summary of the Proposed Amendments to Regulation

The Department of Taxation (department) proposes to repeal Sections 370 (Common carriers of property by motor vehicle), 3020 (Public utilities), 5090 (Transitional provisions; generally), 5091 (Transitional provisions; bona fide real estate construction contracts), 5092 (Transitional provisions; contracts for the sale of tangible personal property), 5093 (Transitional provisions; leases of tangible personal property), and 5094 (Transitional provisions; refunds on purchases or leases of tangible personal property under qualifying contracts).

Result of Analysis

The benefits likely exceed the costs for all proposed changes.

Estimated Economic Impact

Up until September 1, 2004, tangible personal property for use or consumption by a motor vehicle common carrier in the rendition of public service was exempt from Virginia's sales and use tax. Since September 1, 2004, tangible personal property for use or consumption by a motor vehicle common carrier in the rendition of public service has been subject to Virginia's sales and use tax due to the 2004 repeal of the public service corporation exemption.

Section 370 of these regulations describes details of the exemption for tangible personal property for use or consumption by a motor vehicle common carrier in the rendition of public service. Since this exemption has not existed since 2004, Section 370 is obsolete. Thus, repeal of Section 370 will have no impact other than perhaps to prevent confusion for those who find and read the regulation and are misled into believing that the exemption may still apply.

Prior to September 1, 2004, tangible personal property purchased or leased by a public utility subject to a state franchise or license tax upon gross receipts for use or consumption directly in the rendition of its public service was exempt from Virginia's sales and use tax. The 2004 repeal of the public service corporation exemption also caused tangible personal property purchased or leased by a public utility subject to a state franchise or license tax upon gross receipts for use or consumption directly in the rendition of its public service to be subject to Virginia's sales and use tax.

Section 3020 describes detail of the exemption for tangible personal property purchased or leased by a public utility subject to a state franchise or license tax upon gross receipts for use or consumption directly in the rendition of its public service. Since this exemption has not existed since 2004, Section 3020 is obsolete. Thus, repeal of Section 3020 will have no impact other than perhaps to prevent confusion for those who find and read the regulation and are misled into believing that the exemption may still apply.

Sections 5090, 5091, 5092, 5093, and 5094 all were adopted to implement transitional changes in the state sales and use tax in 1987. This transitional language is no longer relevant. Repealing these sections will have no impact other than save a small amount of time for people reading through the regulations.

Businesses and Entities Affected

The proposed repeal of these regulations will not significantly affect businesses and entities.

Localities Particularly Affected

No localities are particularly affected.

Projected Impact on Employment

The proposed repeal of these regulations will not affect employment.

Effects on the Use and Value of Private Property

The proposed repeal of these regulations will not significantly affect the use and value of private property.

Small Businesses: Costs and Other Effects

The proposed repeal of these regulations will not significantly affect small businesses.

Small Businesses: Alternative Method that Minimizes Adverse Impact

The proposed repeal of these regulations will not significantly affect small businesses.

Legal Mandate

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.H of the Administrative Process Act and Executive Order Number 21 (02). Section 2.2-4007.H requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. Further, if the proposed regulation has adverse effect on small businesses, Section 2.2-4007.H requires that such economic impact analyses include (i) an identification and estimate of the number of small businesses subject to the regulation; (ii) the projected reporting, recordkeeping, and other administrative costs required for small businesses to comply with the regulation, including the type of professional skills necessary for preparing required reports and other documents; (iii) a statement of the probable effect of the regulation on affected small businesses; and (iv) a description of any less intrusive or less costly alternative methods of achieving the purpose of the regulation. The analysis presented above represents DPB's best estimate of these economic impacts.