

# DEPARTMENT OF TAXATION

## 2025 Fiscal Impact Statement

1. **Patron** Joseph P. McNamara

3. **Committee** House Finance

4. **Title** Retail Sales and Use Tax; sales through vending machines

2. **Bill Number** HB 2007

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

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

The bill would provide that, beginning January 1, 2026, only a local Retail Sales and Use Tax of 1% shall be imposed on wholesale purchases of food for human consumption and essential personal hygiene products sold through vending machines. The terms " food for human consumption" and "essential personal hygiene products" would have the same meaning as those terms are used in *Va. Code* § 58.1-611.1.

Under current law, sales of tangible personal property through vending machines are taxed at the rate of 5.3% or 6%, depending on the locality, including a 1% local sales tax.

This bill would become effective January 1, 2026.

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

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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

It is estimated that this bill would reduce state revenues by a total of \$1.18 million in Fiscal Year 2026, \$2.98 million in Fiscal Year 2027, \$3.07 million in Fiscal Year 2028, \$3.25 million in Fiscal Year 2029, \$3.36 million in Fiscal Year 2030, and \$3.50 million in Fiscal Year 2031. The table below shows the estimated impact by fund.

Revenue Impact to the Individual Funds*						
	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
GF-Unrestricted	-\$500,000	-\$1,260,000	-\$1,290,000	-\$1,370,000	-\$1,420,000	-\$1,470,000
GF-Restricted (Including Transfers)	-\$340,000	-\$850,000	-\$880,000	-\$930,000	-\$960,000	-\$1,000,000
Transportation	-\$220,000	-\$560,000	-\$580,000	-\$610,000	-\$630,000	-\$660,000
Local Option	\$0	\$0	\$0	\$0	\$0	\$0
Other	-\$120,000	-\$310,000	-\$320,000	-\$340,000	-\$350,000	-\$370,000
<b>Total Impact</b>	<b>-\$1,180,000</b>	<b>-\$2,980,000</b>	<b>-\$3,070,000</b>	<b>-\$3,250,000</b>	<b>-\$3,360,000</b>	<b>-\$3,500,000</b>
<i>*Assumes January 1, 2026 effective date</i>						

## 9. Specific agency or political subdivisions affected:

Department of Taxation

## 10. Technical amendment necessary: No.

## 11. Other comments:

### Background

The Retail Sales and Use Tax is imposed upon the charge for the sale or use of tangible personal property, unless an exemption applies. Virginia law defines “tangible personal property” as personal property that may be seen, weighed, measured, felt, or touched, or is in any other manner perceptible to the senses. In general, any retail merchant is allowed to purchase items that it intends to resell to its customers exempt from the tax because it will collect the tax from its customers at the time of sale.

Food purchased for human consumption and essential personal hygiene products are exempt from the state sales tax rate and subject to a one percent local option sales tax rate.

“Food purchased for human consumption” has the same meaning as “food” defined in the Food Stamp Act of 1977, as amended, and federal regulations adopted pursuant to that Act, except it does not include seeds and plants which produce food for human consumption. “Food purchased for human consumption” does not include food sold by any retail establishment where the gross receipts derived from the sale of food prepared by such retail establishment for immediate consumption on or off the premises of the retail establishment constitutes more than 80 percent of the total gross receipts of that retail establishment, including but not limited to motor fuel purchases, regardless of whether such prepared food is consumed on the premises of that retail establishment. Infant formula qualified as food for human consumption that is exempt from the state sales and use tax.

“Essential personal hygiene products” means (i) nondurable incontinence products such as diapers, disposable undergarments, pads, and bed sheets and (ii) menstrual cups and pads, pantyliners, sanitary napkins, tampons, and other products used to absorb or contain menstrual flow.

## Proposal

The bill would provide that, beginning January 1, 2026, only a local Retail Sales and Use Tax of 1% shall be imposed on wholesale purchases of food for human consumption and essential personal hygiene products sold through vending machines. The terms " food for human consumption" and "essential personal hygiene products" would have the same meaning as those terms are used in *Va. Code* § 58.1-611.1.

This bill would become effective January 1, 2026.

cc : Secretary of Finance

Date: 01/18/2025 KS  
HB2007F161