

**DEPARTMENT OF TAXATION  
2025 Fiscal Impact Statement**

1. **Patron** Schuyler T. VanValkenburg
3. **Committee** Senate Finance and Appropriations
4. **Title** Retail Sales and Use Tax; Extends Sunset for Printing Materials Exemption

2. **Bill Number** SB 871  
**House of Origin:**  
  X   **Introduced**  
      **Substitute**  
      **Engrossed**
- Second House:**  
      **In Committee**  
      **Substitute**  
      **Enrolled**

**5. Summary/Purpose:**

The bill would extend the sunset date for the exemption from the Retail Sales and Use Tax allowed for the purchase of printing materials by advertising businesses when the printed material is distributed outside the Commonwealth until July 1, 2028.

Under current law, advertising businesses that purchase printing from Virginia printers are not deemed the users or consumers of printed materials distributed outside the Commonwealth if the purchases would have qualified for the exemptions for either: 1) publications and supplements issued at regular intervals more frequent than three months or 2) catalogs, letters, brochures, reports, and similar printed materials stored within the Commonwealth for twelve months or less and distributed outside the Commonwealth. This exemption is scheduled to expire on July 1, 2025.

If enacted during the regular session of the 2025 General Assembly, this bill would become effective July 1, 2025.

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

**7. No Fiscal Impact.** (See Line 8.)

**8. Fiscal implications:**

Administrative Costs

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

Revenue Impact

As the extension of expiring sales tax exemptions is generally assumed in the official revenue forecast, the proposed extension of the sunset date for this exemption would have no revenue impact.

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

Department of Taxation

**10. Technical amendment necessary:** No.

**11. Other comments:**

Current Law

The exemption for printing materials purchased by advertising businesses to be shipped out-of-state was enacted by the 1995 General Assembly to make Virginia printers more competitive with out-of-state printers. This exemption includes sales of printing to a Virginia advertising business for distribution out-of-state. Newspaper supplements, not otherwise exempted, purchased by advertising agencies for placement in in-state or out-of-state publications are also exempt.

In 1985, the General Assembly enacted legislation that exempted advertising businesses from collecting the sales tax on their sales and provided that effective July 1, 1986, advertising businesses would be treated as service providers.

As a service provider, an advertising business is deemed to be the user and consumer of all tangible personal property used to provide their exempt service. As a service provider, purchases of printing by advertising businesses did not qualify for the sales tax exemption for printing destined for delivery out-of-state.

The 1994 General Assembly enacted legislation which extended the printing exemption to out-of-state advertising business purchases from Virginia printers. This exemption was extended to all advertising businesses by the 1995 General Assembly with a sunset date of June 30, 2002. The sunset date has since been extended to July 1, 2004, July 1, 2008, July 1, 2012, July 1, 2017, and July 1, 2022.

Pursuant to Item 3-5.14 of the 2020 Appropriation Act, the Department published a report regarding the revenue impact of every sales tax exemption and income tax credit scheduled to expire on or before June 30, 2025. This report included information regarding the exemption allowed for the purchase of printing materials by advertising businesses when the printed material is distributed outside the Commonwealth. See 2020 Report Document 487.

In addition, Item 3-5.13 of the 2024 Appropriation Act prohibits the General Assembly from advancing the sunset date of any existing sales tax exemption beyond June 30, 2030.

Proposal:

The bill would extend the sunset date for the exemption from the Retail Sales and Use Tax allowed for the purchase of printing materials by advertising businesses when the printed material is distributed outside the Commonwealth until July 1, 2028.

If enacted during the regular session of the 2025 General Assembly, this bill would become effective July 1, 2025.

Similar Legislation

**House Bill 2675** is identical to this bill.

**House Bill 1969** would extend the sunset date for this exemption until July 1, 2026.

cc : Secretary of Finance

Date: 01/19/2025 KS  
SB871F161