

**DEPARTMENT OF TAXATION
2025 Fiscal Impact Statement**

1. **Patron** Eric Phillips

2. **Bill Number** HB 2673

3. **Committee** House Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. **Title** Retail sales and use tax; Dealer discount

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would provide that, beginning July 1, 2025, the dealer discount deduction available to sales tax dealers eligible to retain the discount would be six percent of the first three percent of the tax imposed.

Under current law, dealers are allowed to retain, as a deduction, from the first three percent of the state retail sales and use tax that the dealer accounts for in submitting his return and paying the amount due in the following percentages: 1.6 percent, if the monthly taxable sales of the dealer are \$0 to \$62,500; 1.2 percent, if the monthly taxable sales of the dealer are \$62,501 to \$208,000; and 0.8 percent if the monthly taxable sales of the dealer are \$208,001 and above. No dealer discount is permitted if the dealer is required to submit electronic sales tax returns.

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

6. Budget amendment necessary: Yes.

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7. Fiscal Impact Estimates are: Not available. (See Line 8.)

7b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2025-26	(\$293.8M)	GF
2026-27	(\$334.6M)	GF
2027-28	(\$343.8M)	GF
2028-29	(\$362.3M)	GF
2029-30	(\$376.8M)	GF
2030-31	(\$390.0M)	GF

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

This bill would have an estimated negative General Fund revenue impact as shown above.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: Yes.

Lines 29-31 of the bill state that this bill would prevail over any conflicting provisions of subsection C of Item 3-5.06 of Chapter 2 of the Acts of Assembly of 2024, Special Session I. Subsection C of Item 3-5.06 pertains to the dealer discount applicable to the tobacco products tax and does not impact the dealer discount applicable to the Retail Sales and Use Tax that is the subject of this bill.

The Department recommends striking Lines 29-31 and amending the 2025 Appropriation Act prior to enactment so that it is consistent with the terms of this bill.

Alternatively, a substitute could be adopted to codify the dealer discount rates set forth in Subsection A of Item 3-5.06, and the second enactment clause of the bill could be expanded by adopting the following line amendment:

Line 29, after provisions
Strike: of Subsection C

Expanding the enactment clause without codifying the dealer discount rates set forth in the 2024 Appropriation Act would greatly expand the revenue impact of this bill by authorizing a higher dealer discount on a retroactive basis for periods currently open under the statute of limitations.

11. Other comments:

Dealer Discount

Sales tax dealers are statutorily permitted to retain, as a deduction on their return, the following percentages of the first three percent of sales tax levied and accounted for:

<u>Monthly Taxable Sales</u>	<u>Percentage</u>
\$0 to \$62,500	4%
\$62,501 to \$208,000	3%

\$208,001 and above 2%

However, Item 3-5.06 of the 2024 Appropriation Act, which supersedes the statutory language, limits the dealer discount deduction available to sales tax dealers to the following percentages of the first three percent of sales tax levied and accounted for:

<u>Monthly Taxable Sales</u>	<u>Percentage</u>
\$0 to \$62,500	1.6%
\$62,501 to \$208,000	1.2%
\$208,001 and above	0.8%

In addition, Item 3-5.06 suspends the discount entirely for dealers subject to the electronic funds transfer requirement set forth in *Va. Code* § 58.1-202.1, which currently applies to dealers with an average monthly liability in excess of \$20,000.

The budget language reducing the dealer discount deduction percentages and suspending the discount for dealers with an average monthly liability in excess of \$20,000 has been in place since 2010. See Virginia Tax Bulletin 10-5 for more information.

Proposal

This bill would provide that, beginning July 1, 2025, the dealer discount deduction available to sales tax dealers eligible to retain the discount would be six percent of the first three percent of the tax imposed.

The bill provides that its provisions shall prevail over any conflicting provisions of Subsection C of Item 3-5.06 of Chapter 2 of the Acts of Assembly of 2024, Special Session I, and that § 4-13.00 of Chapter 2 of the Acts of Assembly of 2024, Special Session I, shall not be applicable with respect to any such conflict.

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

Similar Legislation

Senate Bill 983 is identical to this bill.

cc : Secretary of Finance

Date: 01/20/2025 VB
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