

DEPARTMENT OF TAXATION

2025 Fiscal Impact Statement

1. **Patron** Holly M. Seibold

3. **Committee** House Finance

4. **Title** Retail Sales and Use Tax; Exemption for certain baby products

2. **Bill Number** HB 2049

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would create, beginning July 1, 2025, an exemption from the Retail Sales and Use Tax for child restraint devices as required pursuant to Article 13 of Chapter 10 of Title 46.2, for personal use in a passenger car.

Under current law, child restraint devices are currently subject to the Virginia Retail Sales and Use Tax.

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:** Preliminary. (See Line 8.)

Administrative Costs

The Department of Taxation considers implementation of this bill to be routine and does not require additional funding. This bill would have no impact on local administrative costs.

Revenue Impact

It is estimated that this bill would reduce state and local revenues by a total of \$3.88 million in Fiscal Year 2026, \$4.47 million in Fiscal Year 2027, \$4.73 million in Fiscal Year 2028, \$4.99 million in Fiscal Year 2029, \$5.28 million in Fiscal Year 2030, and \$5.58 million in Fiscal Year 2031. These estimates are based on national data for the child car seat market, Virginia's share of national retail sales, and the average effective sales tax rate in Virginia. The table below shows the estimated impact by fund.

	FY 2026*	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
GF-Unrestricted	(\$1.35)	(\$1.56)	(\$1.65)	(\$1.74)	(\$1.84)	(\$1.95)
GF-Restricted	(\$0.92)	(\$1.05)	(\$1.11)	(\$1.18)	(\$1.25)	(\$1.31)
Total GF	(\$2.27)	(\$2.61)	(\$2.76)	(\$2.92)	(\$3.09)	(\$3.26)
Trans. Trust Fund	(\$0.60)	(\$0.70)	(\$0.74)	(\$0.78)	(\$0.82)	(\$0.87)
Local Option	(\$0.67)	(\$0.77)	(\$0.82)	(\$0.86)	(\$0.91)	(\$0.97)
Other	(\$0.34)	(\$0.39)	(\$0.41)	(\$0.43)	(\$0.46)	(\$0.48)
Total	(\$3.88)	(\$4.47)	(\$4.73)	(\$4.99)	(\$5.28)	(\$5.58)

**The first year represents 11 months of revenue given effective date of 7/1/2025*

8. Specific agency or political subdivisions affected:

Department of Taxation
All localities

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.

Current law requires any person who drives on the highways of Virginia in any motor vehicle manufactured after January 1, 1968, to ensure that any child, up to age eight, whom he transports therein is provided with and properly secured in a child restraint device of a type which meets the standards adopted by the United States Department of Transportation. Child restraint devices are currently subject to the Virginia Retail Sales and Use Tax.

Proposal

This bill would create, beginning July 1, 2025, an exemption from the Retail Sales and Use Tax for child restraint devices as required pursuant to Article 13 of Chapter 10 of Title 46.2, for personal use in a passenger car.

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

cc : Secretary of Finance

Date: 01/26/2025 KS
HB2049F161

