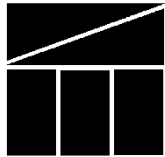


Adverse impact notification sent to Joint Commission on Administrative Rules, House Committee on Appropriations, and Senate Committee on Finance (COV § 2.2-4007.04.C): Yes Not Needed

If/when this economic impact analysis (EIA) is published in the *Virginia Register of Regulations*, notification will be sent to each member of the General Assembly (COV § 2.2-4007.04.B).



Virginia Department of Planning and Budget Economic Impact Analysis

23 VAC 10-350 Forest Products Tax Regulations

Department of Taxation

Town Hall Action/Stage: 4623 / 7654

August 29, 2016

Summary of the Proposed Amendments to Regulation

The Department of Taxation (Department) proposes to repeal the Forest Products Tax Regulations.

Result of Analysis

The benefits likely exceed the costs for all proposed changes.

Estimated Economic Impact

Chapter 170 of the 2015 Virginia Acts of Assembly substantially amended the statutes that impose and delineate the forest products tax. The regulation does not provide guidance beyond the statutes and no longer accurately reflects the current statutes. When statutes and regulations are in conflict, the statutes apply. Thus the repeal of this regulation would not affect legal requirements. Nonetheless the proposed repeal would be beneficial in that readers of the regulation would not be misled concerning legal rules and requirements.

Businesses and Entities Affected

The forest products tax is imposed on the first manufacturer using, consuming, or processing forest products unless the tax has been previously paid by the severer¹ of the forest

¹ "Severer" is defined as any person in this Commonwealth who fells, cuts, or otherwise separates timber or any other such forest product from the soil.

products. The forest products tax also is imposed on the first manufacturer storing forest products for sale or shipment out of state unless the tax has been previously paid by the severer of the forest products. If there is no manufacturer or the manufacturer is not registered for the tax, then the tax is levied on the severer of the forest products. In fiscal year 2015 205 taxpayers filed forest products tax returns.

Localities Particularly Affected

The proposed repeal of the regulation does not disproportionately affect localities.

Projected Impact on Employment

The proposed repeal of the regulation does not affect employment.

Effects on the Use and Value of Private Property

The proposed repeal of the regulation does not affect the use and value of private property.

Real Estate Development Costs

The proposed repeal of the regulation does not affect real estate development costs.

Small Businesses:

Definition

Pursuant to § 2.2-4007.04 of the Code of Virginia, small business is defined as “a business entity, including its affiliates, that (i) is independently owned and operated and (ii) employs fewer than 500 full-time employees or has gross annual sales of less than \$6 million.”

Costs and Other Effects

The repeal of the regulation does not significantly affect costs for small businesses.

Alternative Method that Minimizes Adverse Impact

The proposed repeal of the regulation does not adversely affect small businesses.

Adverse Impacts:

Businesses:

The proposed repeal of the regulation does not adversely affect businesses.

Localities:

The proposed repeal of the regulation does not adversely localities.

Other Entities:

The proposed repeal of the regulation does not adversely other entities.

Legal Mandates

General: The Department of Planning and Budget has analyzed the economic impact of this proposed regulation in accordance with § 2.2-4007.04 of the Code of Virginia (Code) and Executive Order Number 17 (2014). Code § 2.2-4007.04 requires that such economic impact analyses determine the public benefits and costs of the proposed amendments. Further the report should include but not be limited to: (1) the projected number of businesses or other entities to whom the proposed regulatory action would apply, (2) the identity of any localities and types of businesses or other entities particularly affected, (3) the projected number of persons and employment positions to be affected, (4) the projected costs to affected businesses or entities to implement or comply with the regulation, and (5) the impact on the use and value of private property.

Adverse impacts: Pursuant to Code § 2.2-4007.04(C): In the event this economic impact analysis reveals that the proposed regulation would have an adverse economic impact on businesses or would impose a significant adverse economic impact on a locality, business, or entity particularly affected, the Department of Planning and Budget shall advise the Joint Commission on Administrative Rules, the House Committee on Appropriations, and the Senate Committee on Finance within the 45-day period.

If the proposed regulatory action may have an adverse effect on small businesses, Code § 2.2-4007.04 requires that such economic impact analyses include: (1) an identification and estimate of the number of small businesses subject to the proposed regulation, (2) the projected reporting, recordkeeping, and other administrative costs required for small businesses to comply with the proposed regulation, including the type of professional skills necessary for preparing required reports and other documents, (3) a statement of the probable effect of the proposed regulation on affected small businesses, and (4) a description of any less intrusive or less costly alternative methods of achieving the purpose of the proposed regulation. Additionally, pursuant to Code § 2.2-4007.1, if there is a finding that a proposed regulation may have an adverse impact on small business, the Joint Commission on Administrative Rules shall be notified.

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