



## **Economic Impact Analysis Virginia Department of Planning and Budget**

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**23 VAC 10-210 – Retail Sales and Use Tax**  
**Department of Taxation**  
March 31, 2009

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### **Summary of the Proposed Amendments to Regulation**

The Department of Taxation (Department) proposes several amendments to the Retail Sales and Use Tax regulation section (23 VAC 10-210-310) on tax exemptions for churches.<sup>1</sup> There have been several statutory changes since this regulation was last amended. All proposed changes to the regulation are either straight from current statutes, repeat language already in other regulations, or are merely clarifying language and do not change requirements. Proposed changes include exempting the following from taxation: 1) items used in recording and reproducing religious worship services from (Chapter 338 of the 2006 Acts of Assembly), and 2) property used in caring for or maintaining property owned by the church including, but not limited to, mowing equipment and building materials installed by a church, and for which the church did not contract with a person or entity to have installed, in a public church building; and other items of tangible personal property used in religious worship services. The proposed regulation also delineates the differences between tax exemptions for churches and other non-profit entities.

### **Result of Analysis**

The benefits likely exceed the costs for all proposed changes.

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<sup>1</sup> Church is defined as a nonprofit religious organization, regardless of faith, that would be considered a church under the standards promulgated by the Internal Revenue Service for federal income tax purposes (i) that has been specifically recognized by the Internal Revenue Service as being exempt from taxation under § 501(c)(3) of the Internal Revenue Code or (ii) whose real property is exempt from local real property taxation under § 58.1-3606 of the Code of Virginia.

## **Estimated Economic Impact**

The current regulation is inconsistent with parts of the Code of the Virginia. When statutes and regulations conflict, the statutes prevail. Since all proposed changes are either straight from statute, repeat language already in other regulations, or are merely clarifying language and do not change requirements, the proposed amendments do not change any requirements for the public and thus do not produce any cost. The proposed amendments will be beneficial for the public in that there will be less confusion on the ruling law concerning tax exemptions for churches due to the removal of inapplicable language and the addition of clarifying language. Therefore, the proposed amendments create net benefit for the public.

## **Businesses and Entities Affected**

The proposed amendments affect nonprofit religious organizations in Virginia.

## **Localities Particularly Affected**

The proposed amendments do not disproportionately affect particular localities.

## **Projected Impact on Employment**

The proposal amendments do not directly affect employment.

## **Effects on the Use and Value of Private Property**

The proposal amendments do not directly affect the use and value of private property.

## **Small Businesses: Costs and Other Effects**

The proposed amendments do not affect small businesses.

## **Small Businesses: Alternative Method that Minimizes Adverse Impact**

The proposed amendments do not adversely affect small businesses.

## **Real Estate Development Costs**

The proposed amendments do not directly affect real estate development costs.

## **Legal Mandate**

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.04 of the Administrative Process Act and Executive Order Number 36 (06). Section 2.2-4007.04 requires that such economic impact

analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. Further, if the proposed regulation has adverse effect on small businesses, Section 2.2-4007.04 requires that such economic impact analyses include (i) an identification and estimate of the number of small businesses subject to the regulation; (ii) the projected reporting, recordkeeping, and other administrative costs required for small businesses to comply with the regulation, including the type of professional skills necessary for preparing required reports and other documents; (iii) a statement of the probable effect of the regulation on affected small businesses; and (iv) a description of any less intrusive or less costly alternative methods of achieving the purpose of the regulation. The analysis presented above represents DPB's best estimate of these economic impacts.