



TAX BULLETIN 10-5

Virginia Department of Taxation

May 17, 2010

IMPORTANT INFORMATION REGARDING DEALER DISCOUNTS

Effective beginning with the June, 2010 return due July 20, 2010, legislation enacted in the 2010 Session of the General Assembly, House Bill 29 and House Bill 30 (2010 *Acts of Assembly*, Chapters 872 and _), reduces or suspends the dealer discounts allowed to some dealers for collecting and remitting certain taxes.

Retail Sales and Use Tax (Including Vending Machine and Public Facilities Filers)

Dealers Required to Remit by Electronic Funds Transfer

Beginning with the June, 2010 return due July 20, 2010, dealers required to remit the Retail Sales and Use Tax by electronic funds transfer ("EFT") may no longer retain a dealer discount. *Va. Code* § 58.1-202.1 requires any dealer who has an average monthly Retail Sales and Use Tax liability exceeding \$20,000 to remit the Retail Sales and Use Tax by EFT. Any dealer may choose to make payments electronically, but the suspension of the dealer discount only applies to dealers who are required to remit the tax by EFT.

TAX annually determines which dealers have an average monthly Retail Sales and Use Tax liability exceeding \$20,000 and notifies those dealers that they are required to remit the Retail Sales and Use Tax by EFT effective beginning July 1. Those dealers are required to continue remitting the Retail Sales and Use Tax by EFT until notified by TAX that they no longer meet the threshold for the requirement. Any dealer who is not certain whether the suspension of the dealer discount applies to him under the mandatory EFT payment provisions should contact TAX at (804) 367-8037 to confirm the correct account status.

All Other Dealers

The legislation reduces the dealer discount available to all other dealers. The dealer discount will continue to be allowed on the first three percent of the four percent state Retail Sales and Use Tax and will be computed without regard to the number of certificates of registration that a dealer holds. The current discount percentages, however, will be reduced to the percentages listed in the following table. In order to simplify the calculation on the Retail Sales and Use Tax returns and worksheets, dealers may use the discount factors listed in the following table and on the worksheets to calculate their discount:

**Retail Sales and Use Tax Dealer Discounts Available to Dealers
 NOT Required to Remit Payments by EFT**

<u>Monthly Taxable Sales</u>		<u>Statutory Discount Percentage</u>	<u>General Sales Discount Factor</u>	<u>Qualifying Food Discount Factor</u>
<i>At Least</i>	<i>But Less Than</i>			
\$0	\$62,501	1.6%	.012	.016
\$62,501	\$208,001	1.2%	.009	.012
\$208,001	<i>And Up</i>	0.8%	.006	.008

Vending Machine Sales

As vending machine sales are also subject to the Retail Sales and Use Tax, the dealer discount available for vending machine sales will be reduced in the same manner. Dealers required to remit the Retail Sales and Use Tax on vending machine sales by EFT will no longer be allowed to retain a dealer discount. The dealer discount will be reduced for all other dealers. The dealer discount will continue to be allowed on the first four percent of the five percent state Retail Sales and Use Tax on vending machine sales and will be computed without regard to the number of certificates of registration that a dealer holds. The current percentages will be reduced to the percentages listed in the following table. In order to simplify the calculation on the Vending Machine Return worksheet, dealers may use the discount factors listed in the following table and on the worksheet to calculate their discount:

**Vending Machine Sales Dealer Discounts Available to Dealers
 NOT Required to Remit Payments by EFT**

<u>Monthly Taxable Sales</u>		<u>Statutory Discount Percentage</u>	<u>Discount Factor</u>
<i>At Least</i>	<i>But Less Than</i>		
\$0	\$62,501	1.6%	.0128
\$62,501	\$208,001	1.2%	.0096
\$208,001	<i>And Up</i>	0.8%	.0064

Quarterly Filers

Those dealers who file on a quarterly basis will have the Retail Sales and Use Tax dealer discount available to them reduced effective with the quarterly return for the period beginning July 1, 2010 due October 20, 2010. Quarterly filers will be allowed to retain the current dealer discount for the quarterly return for April, May, and June of 2010 due July 20, 2010. The Retail Sales and Use Tax dealer discount for quarterly filers will be at the same discount percentages and discount rates as for all other dealers.

Seasonal Filers

Seasonal Filers will have the Retail Sales and Use Tax dealer discount available to them reduced effective with the June return due July 20, 2010, if applicable, or with the first return they are required to file after June 30, 2010. The Retail Sales and Use Tax dealer discount for seasonal filers will be at the same discount percentages and discount rates as for all other dealers.

Digital Media Fee

As the Digital Media Fee is administered by TAX in the same manner as the Retail Sales and Use Tax, the dealer discount available for the Digital Media Fee will be reduced in the same manner. Dealers required to remit the Digital Media Fee by EFT will no longer be allowed to retain a dealer discount. The dealer discount will be reduced for all other dealers. The dealer discount will continue to be allowed on the first three percent of the ten percent Digital Media Fee and will be computed without regard to the number of certificates of registration that a dealer holds. The current percentages will be reduced to the percentages listed in the following table. In order to simplify the calculation on the Digital Media Fee Return worksheet, dealers may use the discount factors listed in the following table and on the worksheet to calculate their discount:

**Digital Media Fee Dealer Discounts Available to Dealers
 NOT Required to Remit Payments by EFT**

<u>Monthly Taxable Sales</u>		<u>Statutory Discount Percentage</u>	<u>Discount Factor</u>
<i>At Least</i>	<i>But Less Than</i>		
\$0	\$62,501	1.6%	.0048
\$62,501	\$208,001	1.2%	.0036
\$208,001	<i>And Up</i>	0.8%	.0024

Tire Recycling Fee

Dealers will no longer be allowed to retain a dealer discount for accounting for and remitting the Tire Recycling Fee effective with the quarterly return for the period beginning July 1, 2010 due October 20, 2010. Dealers will be allowed to retain the current dealer discount for the quarterly return for April, May, and June of 2010 due July 20, 2010. The Tire Recycling Fee is remitted quarterly by each dealer to TAX when the dealer files his Form T-1, Virginia Tire Recycling Fee Return.

Communication Sales and Use Tax

Beginning with the June, 2010 return due July 20, 2010, providers will no longer be allowed to retain a dealer discount for accounting for and remitting the Communications Sales and Use Tax. The Communications Sales and Use Tax is remitted monthly by each provider to TAX when the provider files his Form CT-75, Virginia Communications Taxes Return.

E-911 Tax on Landline Telephone Service

Beginning with the June, 2010 return due July 20, 2010, providers will no longer be allowed to retain a dealer discount for accounting for and remitting the Landline E-911 Tax. The Landline E-911 Tax is remitted monthly by each provider to TAX when the provider files his Form CT-75, Virginia Communications Taxes Return.

Tobacco Products Tax

Beginning with the June, 2010 return due July 20, 2010, distributors will no longer be allowed to retain a dealer discount for accounting for and remitting the Tobacco Products Tax. The Tobacco Products Tax is remitted monthly by each distributor to TAX when the distributor files his Form TT-8, Virginia Tobacco Products Tax Return.

Retained Dealer Discounts

House Bill 29 and House Bill 30 (2010 *Acts of Assembly*, Chapters 872 and _), did not change the current compensation available to cigarette stamping agents on sales of Virginia revenue stamps nor did the legislation change the dealer discounts allowed for the Motor Vehicle Fuel Sales Tax and the Virginia Fuels Taxes. In addition, those dealers that will be required to remit the new prepaid wireless E-911 fee beginning January 1, 2011 will also retain the five percent dealer discount allowed for the fee.

TAX is mailing information to all active taxpayers regarding these changes to the dealer discounts. For additional information, please visit TAX's website, www.tax.virginia.gov. If you have any questions regarding this Tax Bulletin, you may also contact TAX at (804) 367-8037 or through the "Live Chat" service on TAX's website, www.tax.virginia.gov.