



January 14, 2021

SUMMARY OF BILL: Exempts from state and local sales tax, during the annual sales tax holiday, the sale of feminine hygiene products.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Net Impact – \$132,700/FY21-22 and Subsequent Years

Increase State Expenditures – \$56,800/FY21-22 and Subsequent Years

Increase Local Revenue – Net Impact – \$2,700/FY21-22 and Subsequent Years

Assumptions:

- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- According to the U.S. Census Bureau, Population Division (Annual Estimates of the Resident Population by Single Year of Age and Sex, June 2019), there are approximately 1,820,292 women in Tennessee between the age of 15 and 55.
- Assuming that each woman spends approximately \$120 each year on feminine hygiene products, total annual sales of such products are estimated to be \$218,435,040 (1,820,292 x \$120).
- Feminine hygiene products sales are estimated to increase by 15 percent during the three-day sales tax holiday as a result of customers shifting their purchases to the holiday that would otherwise occur outside of that time-frame. Therefore, total sales of such products during the holiday are estimated to be \$2,064,660 (\$218,435,040 total annual sales / 365 days a year x 3-day holiday weekend x 1.15 increase in sales during the weekend).
- Pursuant to Tenn. Code Ann. § 67-6-710(h), local governments will be reimbursed the full amount of sales and use tax collections that they otherwise would have collected from products sold over the sales and use tax holiday.
- The recurring decrease in state sales tax revenue, beginning in FY21-22, is estimated to be \$139,299 [(\$2,064,660 x 7.0%) – (\$2,064,660 x 7.0% x 3.617%)].
- The recurring decrease in local sales tax revenue and subsequent increase in state expenditures for reimbursement of local governments, beginning in FY21-22, is estimated to be \$56,844 [(\$2,064,660 x 2.5%) + (\$2,064,660 x 7.0% x 3.617%)].

- Fifty percent of tax savings, or \$98,072 [(\$139,299 + \$56,844) x 50%], will be spent in the economy on other sales-taxable goods and services.
- The recurring increase in state sales tax collections is estimated to be \$6,617 [(\$98,072 x 7.0%) - (\$98,072 x 7.0% x 3.617%)].
- The recurring increase in local sales tax collections is estimated to be \$2,700 [(\$98,072 x 2.5%) + (\$98,072 x 7.0% x 3.617%)].
- The net recurring decrease in state revenue as a result of this legislation is estimated to be \$132,682 (\$139,299 - \$6,617).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Bojan Savic, Interim Executive Director

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