

FISCAL NOTE

HB 472 - SB 570

February 8, 2007

SUMMARY OF BILL: Reduces the state sales tax rate on food and food ingredients from 6.0% to 5.5%.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues - \$11,822,000 / General Fund
\$26,514,000 / Education Fund
\$1,870,000 / Earmarked to Local Govt.
\$150,000 / Department of Revenue
\$374,000 / Sinking Fund

Decrease Local Govt. Revenues - \$1,870,000

Assumptions:

- According to the Department of Revenue, taxable sales of food and food ingredients in Tennessee for FY05-06 were approximately \$7,753,600,000.
- Based on historical collection patterns, taxable sales of food and food ingredients are estimated to grow by approximately 2.5% per year.
- Taxable sales for FY07-08 are estimated to be approximately \$8,146,126,000.
- The recurring decrease in state sales tax revenue resulting from a one-time 0.5% rate reduction for food sales is estimated to be \$40,730,000 ($\$8,146,126,000 \times 0.5\% = \$40,730,630$) per year.
- The estimated \$40,730,000 in state sales tax revenue would have been apportioned as follows: \$11,822,000 to the General Fund, \$26,514,000 to education, \$1,870,000 to local governments, \$150,000 to the Department of Revenue (DOR), and \$374,000 to the Sinking Fund.

- The state will forgo additional sales tax revenue in subsequent fiscal years due to growth of taxable sales.
- Local governments are not held harmless from the loss of state-shared sales tax revenue.
- The recurring decrease to local government revenues is estimated to be \$1,870,000.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with a large initial "J" and "W".

James W. White, Executive Director