

# FISCAL NOTE

## SB 112

February 5, 2007

**SUMMARY OF BILL:** Exempts calculators with a sales price of \$175 or less per item from sales and use tax when purchased during the annual sales tax holiday that occurs the first weekend of August each year.

### ESTIMATED FISCAL IMPACT:

**Decrease State Revenues – \$22,600**  
**Increase State Expenditures - \$7,300**

**Decrease Local Govt. Revenues – \$1,000**

#### Assumptions:

- School supplies with a sales price of \$100 or less per item are currently exempt from sales tax during the annual sales tax holiday.
- Calculators are considered school supplies per T.C.A. 67-6-102 (41).
- The U.S. Census Bureau estimates Tennessee's population to be 6,040,000.
- The average Tennessean purchases a new calculator every 4 years.
- The annual number of calculators purchased by Tennesseans is estimated to be 1,510,000 ( $6,040,000 \div 4$  year interval = 1,510,000 calculators).
- 10% of calculators purchased are priced between \$100.01 and \$175.00.
- The annual number of calculators purchased by Tennesseans with prices between \$100.01 and \$175.00 is estimated to be 151,000 ( $1,510,000 \times 10\% = 151,000$  calculators).
- The daily number of calculators purchased by Tennesseans with prices between \$100.01 and \$175.00 is estimated to be 414 ( $151,000$  annual  $\div 365$  days = 414 per day).
- 200% increase in quantity demanded during sales tax holiday.
- Adjusted number of calculators purchased by Tennesseans with prices between \$100.01 and \$175.00 during the sales tax holiday is estimated to be 2,484 ( $414$  calculators  $\times 3$  days  $\times 200\%$  increase = 2,484).

- Average price of eligible calculator is \$129.95.
- Current state sales tax rate is 7.00%.
- The recurring decrease to state revenues is estimated to be \$22,600 (2,484 calculators X \$129.95 price X 7.00% state rate = \$22,596).
- Per T.C.A. 67-6-103, the estimated recurring decrease to state revenues would be apportioned (if collected) as follows: 29.0246% to the General Fund, 65.0970% to the Education Fund, 4.5925% to local governments, 0.3674% to the Department of Revenue, and 0.9185% to the Sinking Fund.
- Local governments are held harmless from the loss of any local option sales tax revenue.
- Local option sales tax rate is estimated to average 2.25%.
- The recurring increase to state expenditures for reimbursing local governments for loss of local option sales tax revenue is estimated to be \$7,300 (2,484 calculators X \$129.95 price X 2.25% = \$7,263).
- Local governments are not held harmless for the loss of state-shared sales tax revenue.
- Local governments receive 4.5925% share of state sales tax revenue.
- The recurring decrease to local government revenues from loss of state-shared sales tax revenue is estimated to be \$1,000 (\$22,600 X 4.5925% = \$1,038).

**CERTIFICATION:**

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



James W. White, Executive Director