

FISCAL NOTE

SB 2783 - HB 3287

February 4, 2008

SUMMARY OF BILL: Requires candy to be taxed as food and food ingredients for the purpose of state sales tax.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Net Impact - \$6,275,100

Decrease Local Gov't. Revenue - \$302,100

Assumptions:

- According to National Confectioners Association data, candy sales in the U.S. were approximately \$27.9 billion in 2005.
- 25% of such sales contain flour as a key ingredient, thus making such current sales count as food sales.
- 1% annual growth in consumption due to annual population growth.
- Adjusted taxable sales are estimated to be \$21.6 billion in 2008.
- Tennessee's population (6,156,719) is approximately 2.03% of the U.S. population (303,350,266).
- Taxable sales in Tennessee are estimated to be \$438,480,000 ($\$21.6 \text{ billion} \times 2.03\% = \$438,480,000$) for FY08-09.
- No significant change in consumption resulting from a lower tax rate.
- Candy as defined under current law is taxed at the rate 7.0%.
- State sales tax collections under current law are estimated to be \$30,693,600 ($\$438,480,000 \times 7.0\% = \$30,693,600$) for FY08-09.
- Food and food ingredients under current law are taxed at 5.5%.
- State sales tax collections under this bill are estimated to be \$24,116,400 ($\$438,480,000 \times 5.5\% = \$24,116,400$) for FY08-09.
- The decrease of state sales tax revenue is estimated to be \$6,577,200 ($\$30,693,600 - \$24,116,400 = \$6,577,200$) for FY08-09.
- Local governments receive a 4.5925% share of state sales tax.
- The decrease of local government revenue is estimated to be \$302,100 ($\$6,577,200 \times 4.5925\% = \$302,058$) in FY08-09.

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- The net decrease of state revenue is estimated to be \$6,275,100 (\$6,577,200 - \$302,100 local share = \$6,275,100) in FY08-09.

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

/rnc