

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 809 - SB 1236

March 4, 2009

SUMMARY OF BILL: Levies a 25 percent state sales tax on the advertising of adult materials and adult entertainment in newspapers and other periodicals published on newsprint or bond paper, when such advertisements are distributed at least 25 times per year.

ESTIMATED FISCAL IMPACT:

Increase State Revenue - \$62,500/Recurring
Increase State Expenditures - \$80,400/One-Time
\$92,000/Recurring

Assumptions:

- Based on information provided by the Department of Revenue (DOR), it is estimated that 20 newspapers across the state run advertisements for adult materials and entertainment on a regular basis.
- Each of the 20 newspapers runs a minimum 25 advertisements per year for an average of five clients; thus the total number of advertisements deemed taxable is estimated to be 2,500 per year (20 newspapers x 25 advertisements x 5 clients = 2,500).
- The average price per advertisement is estimated to be \$100.
- Taxable sales of adult materials and entertainment advertising is estimated to be \$250,000 per year (2,500 advertisements x \$100 = \$250,000).
- The increase to state revenue is estimated to be \$62,500 per year ($\$250,000 \times 25\% = \$62,500$).
- According to DOR, the Taxpayer and Verification Services Division would require one additional position for administering the provisions of this bill. The associated increase to recurring state expenditures is estimated to be \$92,000 per year (\$57,500 salary, \$28,300 benefits, \$6,200 other).

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- One-time state expenditures related to the additional position of \$5,400 for computer, software, communications, etc.
- Additional one-time state expenditures for computer and software modifications to DOR systems estimated to be \$75,000.
- The total increase to one-time state expenditures is estimated to be \$80,400 ($\$5,400 + \$75,000 = \$80,400$).

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 the first name "James" and last name "White" clearly legible.

James W. White, Executive Director

/rnc