

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 1627 - SB 1610

January 29, 2016

SUMMARY OF BILL: Exempts from state and local sales tax the sale of all coins and bullion that are: manufactured in whole or in part from gold, silver, platinum, or other metal; used solely as a medium of exchange, security, or commodity; and sold based on their intrinsic value as precious metals or collectible items rather than their representative value as a medium of exchange.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Net Impact – \$2,488,700

Decrease Local Revenue – Net Impact – \$1,015,600

Assumptions:

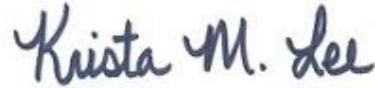
- Using data provided by United States Mint 2014 Annual Report, it is estimated that 2014 sales of gold, silver, platinum, or other metal coins and bullion in Tennessee were approximately \$77,454,000.
- Fifty percent of such sales are sales for which no state or local sales tax is collected or remitted due to nexus-related issues. Therefore, 2014 Tennessee taxable sales are estimated to be \$38,727,000 ($\$77,454,000 \times 50.0\%$). This number is assumed to remain constant in perpetuity.
- 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.
- The effective date of this bill is assumed to be July 1, 2016.
- The net recurring decrease in state sales tax revenue is estimated to be \$2,612,837 [$(\$38,727,000 \times 7.0\%) - (\$38,727,000 \times 7.0\% \times 3.617\%)$].
- The total recurring decrease in local sales tax revenue is estimated to be \$1,066,228 [$(\$38,727,000 \times 2.5\%) + (\$38,727,000 \times 7.0\% \times 3.617\%)$].
- Fifty percent of tax savings will be spent in the economy on other sales-taxable goods and services.
- Recurring tax savings are estimated to be \$3,679,065 ($\$2,612,837 + \$1,066,228$).
- The net recurring increase in state sales tax revenue is estimated to be \$124,110 [$(\$3,679,065 \times 50.0\% \times 7.0\%) - (\$3,679,065 \times 50.0\% \times 7.0\% \times 3.617\%)$].

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- The total recurring decrease in local sales tax revenue is estimated to be \$50,646 [(\$3,679,065 x 50.0% x 2.5%) + (\$3,679,065 x 50.0% x 7.0% x 3.617%)].
- The net recurring decrease in state revenue as a result of this bill is estimated to be \$2,488,727 (\$2,612,837 - \$124,110).
- The net recurring decrease in local government revenue as a result of this bill is estimated to be \$1,015,582 (\$1,066,228 - \$50,646).

CERTIFICATION:

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



Krista M. Lee, Executive Director

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