

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 2171 – SB 2531

March 5, 2018

SUMMARY OF ORIGINAL BILL: Increases the price threshold of a computer, from \$1,500 to \$2,000, which is exempt from state and local sales and use tax during the sales tax holiday.

Exempts the following items from state and local sales and use tax during the sales tax holiday:

- Printers with a sales price of \$200 or less per item;
- Monitors with a sales price of \$200 or less per item, and
- School calculators with a sales price of \$150 or less.

FISCAL IMPACT OF ORIGINAL BILL:

Decrease State Revenue – Net Impact – \$119,900

Decrease Local Revenue – Net Impact – \$48,900

SUMMARY OF AMENDMENT (013972): Deletes all language after the enacting clause. Increases the price threshold for computers, from \$1,500 to \$1,800, which are exempt from state and local sales and use tax during the sales tax holiday.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Decrease State Revenue – Net Impact – \$50,000

Decrease Local Revenue – Net Impact – \$20,400

Assumptions for the bill as amended:

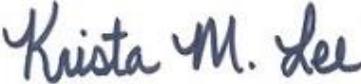
- Pursuant to Tenn. Code Ann. § 67-6-393(a)(3), computers with a sales price of \$1,500 or less per item are exempt from state and local sales and use tax during the sales tax holiday.
- This legislation exempts from state and local sales and use tax, any purchase of a computer with a sales price greater than \$1,500, but less than \$1,800.01.

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- As a result of such exemption, there will be a reduction in state and local sales tax revenue.
- Based on U.S. Census Bureau data, there are approximately 2,556,332 households in Tennessee.
- Based on U.S. Census Bureau data, approximately 1,959,699 of such households in Tennessee have either a desktop, laptop, or tablet.
- It is assumed that 5 percent of households which own a computer will purchase a new computer over the course of a year, or 97,985 computers (1,959,699 x 5%).
- Approximately 268 computers are purchased daily in Tennessee (97,985 / 365 days).
- It is assumed that 20 percent of computers purchased daily in Tennessee are priced greater than \$1,500 and less than \$1,800.01, or 54 computers (268 x 20%).
- Pursuant to Tenn. Code Ann. § 67-6-393(a), the sales tax holiday lasts between 12:01 a.m. on the last Friday of July and 11:59 p.m. the following Sunday, or approximately 3 days.
- This legislation will result in 200 percent increase in computers demanded over the sales tax holiday.
- There will be an increase of 324 computers within the specified price range sold on the sales tax holiday (54 computers x 3 days x 200%).
- A total number of 486 computers, priced above \$1,500, but below \$1,800, sold during the sales tax holiday [324 increase + (54 computers x 3 days)].
- An average computer sales price of \$1,600.
- Sales attributable to computers during the sales tax holiday of \$777,600 (486 computers x \$1,600).
- 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.
- A recurring decrease in state revenue of \$52,463 [(\$777,600 x 7%) – (\$777,600 x 7% x 3.617%)].
- A recurring decrease in local revenue of \$21,409 [(\$777,600 x 2.5%) + (\$777,600 x 7% x 3.617%)].
- Fifty percent of tax savings, or \$36,936 [(\$52,463 + \$21,409) x 50%], will be spent in the economy on other sales-taxable goods and services.
- The recurring increase in state sales tax collections is estimated to be \$2,492 [(\$36,936 x 7%) – (\$36,936 x 7% x 3.617%)].
- The recurring increase in local sales tax collections is estimated to be \$1,017 [(\$36,936 x 2.5%) + (\$36,936 x 7% x 3.617%)].
- The net recurring decrease in state revenue as a result of this legislation is estimated to be \$49,971 (\$52,463 - \$2,492).
- The net recurring decrease in local revenue as a result of this legislation is estimated to be \$20,392 (\$21,409 - \$1,017).

CERTIFICATION:

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



Krista M. Lee, Executive Director

/jdb