

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 744 - SB 1004

March 10, 2017

SUMMARY OF BILL: Creates a sales tax weekend for sales of firearms and firearms ammunition made during the three-day period of the first weekend in September. Holds local governments harmless from loss of sales tax revenue.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – \$235,000

Increase State Expenditures – \$95,900

Assumptions:

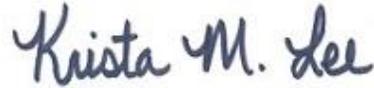
- Consumer spending on hunting and firearms equipment in the United States is estimated to be approximately \$6,450,000,000 per year. Assuming that Tennessee accounts for two percent of the national spending, and that firearms and firearms ammunition represent 90 percent of such spending, the total spending on firearms and firearms ammunition, as specified in the proposed legislation, is estimated to be \$116,100,000 in Tennessee ($\$6,450,000,000 \times 2.0\% \times 90.0\%$).
- Due to most of the hunting season opening dates taking place between August and November, firearm sales in the month of September are estimated to be higher than the average monthly sales in any given year. To account for this, September firearm sales are increased by twenty percent.
- The average September sales, under current law, are estimated to be \$11,610,000 [$(\$116,100,000 / 12) \times 120.0\%$]. The average daily sales are estimated to be \$387,000 ($\$11,610,000 / 30$) under current law.
- Firearm sales are estimated to triple during the three-day sales tax holiday, mostly as a result of customers shifting their purchases to the holiday that would otherwise occur in months close to September. Therefore, the additional annual tax-free holiday sales are estimated to be \$3,483,000 ($\$387,000 \times 3 \text{ days} \times 300.0\%$).
- 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 proposed sales tax holiday is estimated to result in a net recurring decrease in state sales tax revenue of \$234,991 [$(\$3,483,000 \times 7.0\%) - (\$3,483,000 \times 7.0\% \times 3.617\%)$].

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- The recurring increase in state expenditures for holding local governments harmless from the loss of local option and state-shared sales tax revenue is estimated to be \$95,894 [(\$3,483,000 x 2.5%) + (\$3,483,000 x 7.0% x 3.617%)].
- Any increase in sales tax revenue as a result of tax savings being spent in the economy is estimated to be not significant.
- The Department of Revenue will administer the annual sales tax holiday, as created by this bill, with existing staff without an increased appropriation or reduced reversion.

CERTIFICATION:

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



Krista M. Lee, Executive Director

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