

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 416 - HB 697

March 1, 2017

SUMMARY OF BILL: Exempts from the state and local sales and use tax the sale of diapers intended to be worn by infants and children.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Net Impact – \$6,825,700

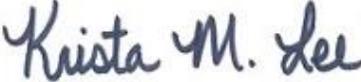
Decrease Local Revenue – Net Impact – \$2,785,400

Assumptions:

- 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.
- According to the United States Bureau of the Census, there are approximately 242,500 children in Tennessee under the age of three. These children are estimated to use an average of six diapers per day over the three-year period, for a total of 531,075,000 diapers per day (242,500 x 6 x 365).
- The average cost per diaper is estimated to be \$0.20.
- The recurring decrease in state sales tax collections resulting from the tax exemption is estimated to be \$7,166,124 $[(531,075,000 \times \$0.20 \times 7.0\%) - (531,075,000 \times \$0.20 \times 7.0\% \times 3.617\%)]$.
- The recurring decrease in local sales tax collections resulting from the tax exemption is estimated to be \$2,924,301 $[(531,075,000 \times \$0.20 \times 2.5\%) + (531,075,000 \times \$0.20 \times 7.0\% \times 3.617\%)]$.
- Fifty percent of tax savings, or \$5,045,213 $[(\$7,166,124 + \$2,924,301) \times 50.0\%]$, will be spent in the economy on other sales-taxable goods and services.
- The net recurring increase in state sales tax collections is estimated to be \$340,391 $[(\$5,045,213 \times 7.0\%) - (\$5,045,213 \times 7.0\% \times 3.617\%)]$.
- The total recurring increase in local sales tax collections is estimated to be \$138,904 $[(\$5,045,213 \times 2.5\%) + (\$5,045,213 \times 7.0\% \times 3.617\%)]$.
- The net recurring decrease in state revenue as a result of this bill is estimated to be \$6,825,733 $(\$7,166,124 - \$340,391)$.
- The net recurring decrease in local revenue as a result of this bill is estimated to be \$2,785,397 $(\$2,924,301 - \$138,904)$.

CERTIFICATION:

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

Handwritten signature of Krista M. Lee in blue ink.

Krista M. Lee, Executive Director

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