

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 960 - HB 1138

March 5, 2019

**SUMMARY OF ORIGINAL BILL:** Requires the Department of Revenue (DOR) to annually report to the Finance, Ways, and Means Committees of the Senate and the House of Representatives the number physical fitness facilities from which the DOR collected the amusement tax during the previous calendar year.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

**SUMMARY OF AMENDMENT (004575):** Exempts from state and local sales and use tax all admission, dues, fees, and other charges paid to any person principally engaged in offering services or facilities for physical fitness. Such exemption applies, but is not limited to: gyms, fitness centers, fitness studios, high intensity interval training, cross training, ballet barre, pilates, yoga, spin classes and aerobics classes. Stipulates that this exemption does not apply to persons personally engaged in offering recreational activities such as country clubs, tennis clubs, golf courses, or other substantially similar recreational facilities and activities.

**FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

**Decrease State Revenue – Net Impact - \$6,424,800**

**Decrease Local Revenue – \$2,621,800**

**The Governor’s FY19-20 proposed budget includes a recurring decrease in state revenue to the General Fund of \$12,435,400.**

Assumptions for the bill as amended:

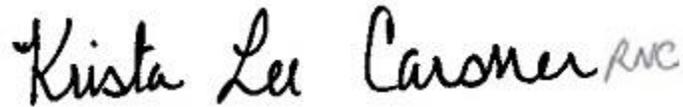
- Based on information provided by the Department of Revenue (DOR), FY17-18 tax returns for affected physical fitness facilities show a total of \$87,671,229 in taxable sales. This amount already accounts for 20 percent being for tangible personal property, which is not included in taxable sales.
- Taxable sales growth of 4.40 percent in FY18-19 and 4.04 percent in FY19-20.

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- Taxable sales in FY19-20 of \$95,226,525 ( $\$87,671,229 \times 1.044 \times 1.0404$ ).
- This number is assumed to remain constant into 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.
- A recurring decrease in state revenue of \$6,665,857 ( $\$95,226,525 \times 7.0\%$ ).
- A recurring decrease in the state-shared allocation to local government of \$241,104 ( $\$6,665,857 \times 3.617\%$ )
- A net recurring decrease in state revenue of \$6,424,753 ( $\$6,665,857 - \$241,104$ ).
- A recurring decrease in local option sales tax revenue of \$2,380,663 ( $\$95,226,525 \times 2.5\%$ ).
- A total recurring decrease in local revenue of \$2,621,767 ( $\$2,380,663 + \$241,104$ ).
- Any increase in state and local sales tax revenue as a result of tax savings being spent in the economy on sales-taxable goods and services is estimated to be not significant because any tax savings to any one individual is expected to be relatively small and due to the possibility that some sports and recreational clubs could increase dues or fees in attempts to capture the savings as additional profit.

**CERTIFICATION:**

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



Krista Lee Carsner, Executive Director

/jdb