

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 49 – SB 40

March 8, 2019

SUMMARY OF BILL: Exempts from state and local sales tax any tangible personal property (TPP) or services sold to a K-12 school or school support group (SSG) during five temporary sales periods; and provides that any TPP or services sold to a K-12 school or SSG after the initial five temporary sales periods are not exempt from state and local sales tax. Defines a SSG as a school support organization and a group of persons who raise funds for a specified purpose under the sponsorship of a school employee and turn over the funds raised to the school to be used for such specified purpose.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Net Impact - \$7,056,400

Decrease Local Revenue – Net Impact - \$2,879,500

Assumptions:

- According to the Department of Education (DOE), this legislation will impact student activity funds; and according to the Department of Revenue (DOR) passage of this legislation will reduce state and local sales tax revenue.
- Based on information provided by DOE and DOR, the extent of taxable sales impacted by this legislation is estimated to be \$109,804,860.
- 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 \$7,408,325 $[(\$109,804,860 \times 7\%) - (\$109,804,860 \times 7\% \times 3.617\%)]$.
- A recurring decrease in local revenue of \$3,023,137 $[(\$109,804,860 \times 2.5\%) + (\$109,804,860 \times 7\% \times 3.617\%)]$.
- Fifty percent of tax savings, or \$5,215,731 $[(\$7,408,325 + \$3,023,137) \times 50\%]$, 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 \$351,895 $[(\$5,215,731 \times 7\%) - (\$5,215,731 \times 7\% \times 3.617\%)]$.
- The recurring increase in local sales tax collections is estimated to be \$143,599 $[(\$5,215,731 \times 2.5\%) + (\$5,215,731 \times 7\% \times 3.617\%)]$.

- The net recurring decrease in state revenue as a result of this legislation is estimated to be \$7,056,430 (\$7,408,325 - \$351,895).
- The net recurring decrease in local revenue as a result of this legislation is estimated to be \$2,879,538 (\$3,023,137 - \$143,599).

CERTIFICATION:

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

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

/jdb