

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 996 - SB 959

March 4, 2019

SUMMARY OF BILL: Exempts from state and local sales and use tax, during the annual sales tax holiday, the sale of children's bicycles with a sales price of \$100 or less.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Net Impact - \$302,800

Decrease Local Revenue – Net Impact - \$123,600

Assumptions:

- According to the 2010 census, there are approximately 923,973 children in Tennessee between 5 and 15 years of age. This number is assumed to remain constant into perpetuity.
- It is assumed that 20 percent, or 184,795, will purchase bikes or have bikes purchased for them each year under current law.
- Seventy percent of such purchases, or 129,357, will continue to occur outside the annual sales tax holiday; the remaining 30 percent of purchases, or 55,438, will occur during the annual sales tax holiday as a direct result of this legislation.
- The average price of bikes purchased during the annual sales tax holiday is estimated to \$85.
- Total sales of children's bikes during the annual sales tax holiday is estimated to be approximately \$4,712,230 (55,438 x \$85).
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent; and the percent of state sales tax revenue allocated to local government pursuant to the state-shared allocation is effectively 3.617 percent.
- The recurring decrease in state sales tax revenue is estimated to be \$317,925 $[(\$4,712,230 \times 7.0\%) - (\$4,712,230 \times 7.0\% \times 3.617\%)]$.
- The recurring decrease in local sales tax revenue is estimated to be \$129,737 $[(\$4,712,230 \times 2.5\%) + (\$4,712,230 \times 7.0\% \times 3.617\%)]$.
- Fifty percent of tax savings, or \$223,831 $[(\$317,925 + \$129,737) \times 50\%]$, 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 \$15,101 $[(\$223,831 \times 7.0\%) - (\$223,831 \times 7.0\% \times 3.617\%)]$.

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- The recurring increase in local sales tax collections is estimated to be \$6,162 [(\$223,831 x 2.5%) + (\$223,831 x 7.0% x 3.617%)].
- The net recurring decrease in state revenue as a result of this legislation is estimated to be \$302,824 (\$317,925 - \$15,101).
- The net recurring decrease in local revenue as a result of this legislation is estimated to be \$123,575 (\$129,737 - \$6,162).

CERTIFICATION:

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



Krista Lee Carsner, Executive Director

/jdb