

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 2640 - SB 2488

February 28, 2020

SUMMARY OF BILL: Removes the 2.75 percent single article state sales tax imposed on the amount over \$1,600 but less than or equal to \$3,200 on the sale or use of any single article of personal property. Increases, from \$1,600 to \$3,200, the limit to which any local option sales tax, including any local option transit surcharge, may apply. Establishes that such increase in the local sales tax cap is automatic if the municipality or county is at the maximum rate of \$1,600 prior to the effective date of this act. Effective October 1, 2020.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – \$47,755,700/FY20-21
\$63,674,300/FY21-22 and Subsequent Years

Increase Local Revenue – \$43,414,300/FY20-21
\$57,885,700/FY21-22 and Subsequent Years

Assumptions:

- The state single article tax collections were \$58,955,499 in FY18-19.
- Assuming 4.00 percent growth in FY19-20 and 3.85 percent growth in FY20-21, total single article tax collections are estimated to be \$63,674,297 in FY20-21 ($\$58,955,499 \times 1.04 \times 1.0385$). This number is assumed to remain constant under current law.
- All collections generated by the single article sales tax are deposited in the General Fund.
- Therefore, the recurring decrease in state revenue to the General Fund is estimated to be \$63,674,297. Due to the effective date of October 1, 2020, the decrease in state revenue in FY20-21 is estimated to be \$47,755,723 [$(\$63,674,297 / 12) \times 9$].
- The average local option sales tax rate is estimated to be 2.50 percent. The local sales tax cap for a large majority of localities is currently \$1,600. Therefore, the proposed legislation will result in an automatic increase in local option sales tax collections.
- Taxable sales for single articles or personal property with amounts exceeding \$1,600 and up to \$3,200 are estimated to be \$2,315,429 ($\$63,674,297 / 2.75\%$).
- Therefore, the recurring increase in local revenue is estimated to be \$57,885,725 ($\$2,315,428,982 \times 2.50\%$). Due to the effective date of October 1, 2020, the increase in local revenue in FY20-21 is estimated to be \$43,414,294 [$(\$57,885,725 / 12) \times 9$].

CERTIFICATION:

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

Handwritten signature of Krista Lee Carsner in black ink.

Krista Lee Carsner, Executive Director

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