

**COMMONWEALTH OF KENTUCKY FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2020 REGULAR SESSION**

2020 BR NUMBER 107

HOUSE BILL NUMBER 26

TITLE AN ACT relating to an exemption of feminine hygiene products from sales and use taxation.

SPONSOR Representative Attica Scott

FISCAL SUMMARY

STATE FISCAL IMPACT: YES NO UNCERTAIN

OTHER FISCAL STATEMENT(S) THAT MAY APPLY: ACTUARIAL ANALYSIS
 LOCAL MANDATE CORRECTIONS IMPACT HEALTH BENEFIT MANDATE

APPROPRIATION UNIT(S) IMPACTED:

FUND(S) IMPACTED: GENERAL ROAD FEDERAL RESTRICTED _____

FISCAL ESTIMATES	2019-2020	2020-2021	2021-2022	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES		(\$1,916,700)	(\$2,300,000)	(\$2,300,000)
EXPENDITURES				
NET EFFECT		(\$1,916,700)	(\$2,300,000)	(\$2,300,000)

() indicates a decrease/negative

PURPOSE OF MEASURE: The purpose of HB 26 is to provide a sales and use tax exemption for feminine hygiene products, including tampons, panty liners, menstrual cups, sanitary napkins, and other similar tangible personal property designed for feminine hygiene in connection with the human menstrual cycle. This exemption would be effective from August 1, 2020, to July 31, 2024.

FISCAL EXPLANATION: Staff used data from the Bureau of Labor Statistics' 2018 *Consumer Expenditure Survey* (CES), All Consumer Units Diary Survey Tables, to estimate the potential fiscal impact of exempting from the sales tax the products in HB 26. Additionally, tax expenditure estimates related to sales tax exemptions of feminine hygiene products from Connecticut, Florida, Minnesota, New Jersey, and New York, after adjusting for differences in tax rates and populations, were used to estimate spending on the exempted products in Kentucky.

The CES contains average expenditure data on a household's spending on feminine hygiene products, diapers, and adult diapers. In the case of feminine hygiene products, these products are included in a larger spending category that contains other personal hygiene products. An adjustment was made in an effort to isolate only the portion of the category that is attributable to feminine hygiene products.

This fiscal note also does not consider any behavioral effects that may occur because of the proposed exemption, although it is expected that these impacts would be small. To the extent that spending in Kentucky on products in HB 26 differs from the national spending estimates from the CES, or spending

by residents in the states used in this analysis, these estimates may over- or under-estimate the true fiscal impact. Finally, all household spending amounts were adjusted for inflation.

The exemption is expected to decrease General Fund sales tax collections by \$1,916,700 in the ten months of FY 2020-2021. FY 2021-2022 sales tax collections would decrease by \$2,300,000 for a full fiscal year.

DATA SOURCE(S): LRC Economist Office, Bureau of Labor Statistics 2018 Consumer Expenditure Survey, Tax Expenditure Reports from Connecticut, Florida, Minnesota, New Jersey, and New York, and LRC A&R Staff.

PREPARER: Katy Jenkins NOTE NUMBER: 26 REVIEW: JAB DATE: 3/13/2020