



**SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE**  
**STATEMENT OF ESTIMATED FISCAL IMPACT**  
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*This fiscal impact statement is produced in compliance with the South Carolina Code of Laws and House and Senate rules. The focus of the analysis is on governmental expenditure and revenue impacts and may not provide a comprehensive summary of the legislation.*

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**Bill Number:** S. 0149      Introduced on January 10, 2023  
**Author:** Shealy  
**Subject:** Menstrual Hygiene Products Tax Repeal  
**Requestor:** Senate Finance  
**RFA Analyst(s):** Bryant  
**Impact Date:** April 17, 2023

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### **Fiscal Impact Summary**

This bill exempts the sale of menstrual hygiene products and baby and adult diapers from sales and use tax. The Department of Revenue (DOR) will be able to administer the new exemption with existing staff and resources, as the department already administers several sales tax exemptions. Therefore, this bill will not impact expenditures for the agency.

Overall, this bill will reduce state General Fund sales and use tax by \$23,342,000, the EIA Fund by \$5,836,000, and the HEX Fund by \$5,836,000 beginning in FY 2023-24, for a total state revenue reduction of \$35,014,000. Further, this bill will reduce local sales and use taxes by an estimated \$8,345,000 beginning in FY 2023-24. Collectively, the proposed sales and use tax exemptions will reduce total state and local sales and use tax revenue by approximately \$43,359,000 beginning in FY 2023-24.

### **Explanation of Fiscal Impact**

#### **Introduced on January 10, 2023**

##### **State Expenditure**

This bill exempts the sale of menstrual hygiene products and baby and adult diapers from sales and use tax, therefore requiring DOR to administer additional sales tax exemptions. DOR will be able to administer the new exemptions with existing staff and resources, as the department already administers several sales tax exemptions. Therefore, this bill will not impact expenditures for the agency.

##### **State Revenue**

This bill exempts the sale of menstrual hygiene products and baby and adult diapers from sales and use tax. Menstrual hygiene products include tampons, sanitary pads, menstrual cups, menstrual underwear, and other items designed to manage the symptoms of a menstrual cycle. Diapers are defined as diapers for babies and children, as well as adult diapers for the managing of postpartum recovery or incontinence. The bill takes effect upon approval by the Governor. For this analysis, we assume the bill will go into effect beginning in FY 2023-24.

### Menstrual Hygiene Products

This section addresses the impact of exempting the sale of menstrual hygiene products from sales and use tax. According to Global Industry Analysts (GIA), a global marketing and consumer survey company specializing in market research, total sales of feminine hygiene products in the U.S. are projected to reach \$6.2 billion in 2022.<sup>1</sup> GIA's analysis is based on historical and estimated market trends in feminine hygiene product sales and considers stakeholder analysis from manufacturers of feminine hygiene products, differences in preference by age, and changing sales trends, among other factors. Previous estimates anticipated growth from total sales of \$5.9 billion in 2017 would grow to \$6.2 billion in 2020. However, market changes from COVID-19 and faster growth in other global markets lowered projected growth in the U.S. market share despite inflation.

Adjusting the total \$6.2 billion in U.S. feminine hygiene product sales by a population factor of 1.59 percent for South Carolina sales yields an estimated gross sales amount of \$98,580,000. Alternatively, we also reviewed an analysis by Louisiana's Legislative Fiscal Office in the fiscal note published for a similar proposed exemption in 2019.<sup>2</sup> Louisiana estimated that average annual expenditures total approximately \$71 per female per year. Adjusting Louisiana's analysis for South Carolina's population and accounting for inflation, this method similarly yields an estimated \$97,782,000 in South Carolina sales.

Applying the total state sales and use tax rate of 6 percent to sales of \$98,580,000 yields a reduction in state sales and use tax of an estimated \$5,915,000 beginning in FY 2023-24. Of this amount, General Fund sales and use tax would be reduced by \$3,943,000, the EIA Fund would be reduced by \$986,000, and the HEX Fund would be reduced by \$986,000 beginning in FY 2023-24.

### Baby and Adult Diapers

This section addresses the impact of exempting the sale of baby and adult diapers from sales and use tax. Please note that data regarding retail sales of infant and adult diapers in South Carolina are not available. Therefore, these estimates are based on average prices and overall nationwide figures. Additionally, the cost of diapers has increased significantly over the past three years, as shipping delays, supply chain disruptions, and consumer behavior due to the pandemic have caused manufacturers to raise prices. Disposable diaper prices increased by approximately 20 percent in 2022, while cloth diaper prices increased by 13 percent.<sup>3</sup> We assume that disposable and cloth diaper prices will increase by 10 percent and 6.5 percent, respectively, in 2023. Beginning in 2024, we assume that diaper prices will increase at the same rate as projected federal inflation rates. If diaper prices continue to increase at a higher-than-average rate, this will impact our estimates.

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<sup>1</sup> Global Feminine Hygiene Products Industry - Market Study by Global Industry Analysts, Inc. Summary retrieved March 24, 2023, from [https://www.reportlinker.com/p01374691/Global-Feminine-Hygiene-Products-Industry.html?utm\\_source=PRN](https://www.reportlinker.com/p01374691/Global-Feminine-Hygiene-Products-Industry.html?utm_source=PRN)

<sup>2</sup> <http://www.legis.la.gov/legis/ViewDocument.aspx?d=1140088>

<sup>3</sup> CNN Business. "Diapers cost families a fortune, but now some states will stop taxing them." Published July 25, 2022. Retrieved from <https://www.cnn.com/2022/07/25/economy/diapers-sales-tax-new-york/index.html>. Accessed April 12, 2023.

Approximately 95 percent of infants and children in the United States use disposable diapers, while 5 percent use cloth diapers.<sup>4</sup> Additionally, the average age at which children finalize toilet training is 36 months.<sup>5</sup> Therefore, we assume that 95 percent of children ages 0-3 residing in South Carolina will use disposable diapers, and 5 percent will use cloth diapers. As of 2022, an average supply of disposable infant diapers costs approximately \$90 per month.<sup>6</sup> Cloth diapers have an initial one-time cost of approximately \$550.<sup>7</sup> Multiplying the number of infants and children using disposable and cloth diapers by the average costs yields an estimated gross sales amount of approximately \$192,728,000 in FY 2023-24.

Approximately 17.5 percent of U.S. adults ages 65 or older are incontinent.<sup>8</sup> A person with moderate incontinence uses an estimated 2-4 disposable diapers each day, with an average cost of \$120 per month.<sup>9</sup> Multiplying the number of adults with incontinence ages 65 or older residing in South Carolina by the average cost yields an estimated gross sales amount of approximately \$292,237,000 in FY 2023-24.

Applying the total state sales and use tax rate of 6 percent to total sales of \$484,966,000 yields a reduction in state sales and use tax of an estimated \$29,099,000 beginning in FY 2023-24. Of this amount, General Fund sales and use tax would be reduced by \$19,399,000, the EIA Fund would be reduced by \$4,850,000, and the HEX Fund would be reduced by \$4,850,000 beginning in FY 2023-24.

Overall, this bill will reduce state General Fund sales and use tax by \$23,342,000, the EIA Fund by \$5,836,000, and the HEX Fund by \$5,836,000 beginning in FY 2023-24, for a total state revenue reduction of \$35,014,000.

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<sup>4</sup> Vogue. "The Latest Trend in Millennial Parenting: Cloth Diapers." Published November 22, 2015. Retrieved from <https://www.vogue.com/article/cloth-diaper-comeback>. Accessed April 12, 2023.

<sup>5</sup> Thaman, Lauren A., and Lawrence F. Eichenfield. 2014. "Diapering Habits: A Global Perspective." *Pediatric Dermatology* 31(Supplement 1): 15-18. Retrieved from <https://onlinelibrary.wiley.com/doi/full/10.1111/pde.12468>. Accessed April 12, 2023.

<sup>6</sup> National Diaper Bank Network. "Fast Facts on #DiaperNeed." Published December 2022. Retrieved from [https://nationaldiaperbanknetwork.org/wp-content/uploads/2022/12/Fast\\_Facts\\_DiaperNeed\\_Dec\\_2022.pdf](https://nationaldiaperbanknetwork.org/wp-content/uploads/2022/12/Fast_Facts_DiaperNeed_Dec_2022.pdf). Accessed February 9, 2023.

<sup>7</sup> Parents. "The Modern Parent's Guide to Cloth Diapering." Published January 27, 2023. Retrieved from <https://www.parents.com/baby/diapers/cloth/the-modern-moms-guide-to-cloth-diapering/>. Accessed April 12, 2023.

<sup>8</sup> Diaper Bank. "Adult Incontinence." Retrieved from <https://diaperbank.org/adult-incontinence/>. Accessed February 9, 2023.

<sup>9</sup> Medical News Today. "Does Medicare cover adult diapers?" Published November 18, 2020. Retrieved from <https://www.medicalnewstoday.com/articles/does-medicare-cover-adult-diapers#costs>. Accessed April 14, 2023.

Table 1: Estimated Reduction in State Sales Tax Revenue

Exempt Items	General Fund Revenue	EIA Fund Revenue	HEX Fund Revenue	Total Sales Tax Revenue
Menstrual hygiene products	\$3,943,000	\$986,000	\$986,000	\$5,915,000
Baby and adult diapers	\$19,399,000	\$4,850,000	\$4,850,000	\$29,099,000
Total	\$23,342,000	\$5,836,000	\$5,836,000	\$35,014,000

**Local Expenditure**

N/A

**Local Revenue**

This bill exempts the sale of menstrual hygiene products and baby and adult diapers from sales and use tax. Local sales and use taxes in South Carolina average an additional 1.43 percent. Based upon the analysis outlined in the State Revenue section, this bill would, therefore, reduce local sales and use taxes by an estimated \$8,345,000 beginning in FY 2023-24.

Table 2: Estimated Reduction in Local Sales Tax Revenue

Exempt Items	Local Sales Tax Revenue
Menstrual hygiene products	\$1,410,000
Baby and adult diapers	\$6,935,000
Total	\$8,345,000

Frank A. Rainwater, Executive Director