

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL MEMORANDUM**

**HB 779 - SB 1137**

March 25, 2019

**SUMMARY OF ORIGINAL BILL:** Increases from \$100,000 to \$200,000, the threshold for any temporary sales, which would be exempt from state and local sales and use tax, that are made by charitable entities, whose primary purpose is fundraising in support of a city, county, or metropolitan library system. Adds a provision stating that such temporary sales may not exceed four times per calendar year.

**FISCAL IMPACT OF ORIGINAL BILL:**

Decrease State Revenue – Exceeds \$6,700

Decrease Local Revenue – Exceeds \$2,800

**SUMMARY OF AMENDMENT (006564):** Deletes all language after the enacting clause. Increases from \$100,000 to \$300,000, the annual threshold for any temporary sales, made in lieu of two semiannual temporary sales periods, to be exempt from state and local sales and use tax, that are made by charitable entities, whose primary purpose is fundraising in support of a city, county, or metropolitan library system. Establishes that any such online sales are also exempt from the state and local sales and use tax.

**FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

**Decrease State Revenue – Exceeds \$13,500**

**Decrease Local Revenue – Exceeds \$5,500**

Assumptions for the bill as amended:

- The extent of additional temporary sales that will become exempt under this legislation is unknown; however, it is reasonably assumed that at least \$200,000 in additional sales statewide would become exempt from state and local sales and use tax as the direct result of this legislation.

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- 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 percentage 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 revenue is estimated to exceed \$13,494 [(\$200,000 x 7.0%) – (\$200,000 x 7.0% x 3.617%)].
- The recurring decrease in local revenue is estimated to exceed \$5,506 [(\$200,000 x 2.5%) + (\$200,000 x 7.0% x 3.617%)].
- Any impact resulting from tax savings being spent in the economy is estimated to be not significant due to the relative small amount of tax savings per individual purchase.

**CERTIFICATION:**

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



Krista Lee Carsner, Executive Director

/jdb