

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 779 - SB 1137

March 5, 2019

SUMMARY OF 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.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Exceeds \$6,700

Decrease Local Revenue – Exceeds \$2,800

Assumptions:

- According to the Department of Revenue (DOR), there are a few charitable organizations subject to this legislation that conduct sales exceeding \$100,000 up to \$200,000.
- The Fiscal Review Committee staff does not have access to the relevant taxpayer information accessible by the DOR due to taxpayer confidentiality.
- Any portion of such temporary sales above \$100,000, up to the proposed threshold of \$200,000, will become exempt from state and local sales and use tax under this legislation.
- It is unknown the extent of additional temporary sales that will become exempt under this legislation; however, it is reasonably assumed that at least \$100,000 in additional sales would become exempt from state and local sales and use tax as the direct result of this legislation.
- 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 \$6,747 [(\$100,000 x 7.0%) – (\$100,000 x 7.0% x 3.617%)].
- The recurring decrease in local revenue is estimated to exceed \$2,753 [(\$100,000 x 2.5%) + (\$100,000 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.

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CERTIFICATION:

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

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

/jdb