



March 3, 2022

**SUMMARY OF BILL:** Exempts a person, a person's agent, or direct employees from sales and use taxes on the installation and repair of computer software, if these services are used for the person's own use and consumption. Extends the current sales tax exemption for fabrication of computer software to apply to a person's agent.

**ESTIMATED FISCAL IMPACT:**

**Decrease State Revenue – Net Impact –**

**Exceeds \$6,426,300/FY22-23 and Subsequent Years**

**Decrease Local Revenue – Net Impact –**

**Exceeds \$2,622,400/FY22-23 and Subsequent Years**

Assumptions:

- The proposed legislation will result in a reduction in state and local sales tax revenue.
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- The average price for a professional to install and repair computer software can range from under \$100 to upwards of \$1,000 or more.
- The annual total sales on the installation and repair of computer software is unknown.
- Based on information provided by the Department of Revenue, taxable sales for the installation and repair of computer software under current law are reasonably estimated to exceed \$100,000,000 per year in Tennessee.
- The decrease in state sales tax revenue is estimated to exceed \$6,746,810 [(\$100,000,000 x 7%) – (\$100,000,000 x 7% x 3.617%)] in FY22-23 and subsequent years.
- The decrease in local sales tax revenue is estimated to exceed \$2,753,190 [(\$100,000,000 x 2.5%) + (\$100,000,000 x 7% x 3.617%)] in FY22-23 and subsequent years.
- Fifty percent of tax savings, or an amount exceeding \$4,750,000 [(\$6,746,810 + \$2,753,190) x 50%], will be spent in the economy on other sales-taxable goods and services.
- The increase in state sales tax collections is estimated to exceed \$320,473 [(\$4,750,000 x 7%) – (\$4,750,000 x 7% x 3.617%)] in FY22-23 and subsequent years.

- The increase in local sales tax collections is estimated to exceed \$130,777 [(\$4,750,000 x 2.5%) + (\$4,750,000 x 7% x 3.617%)] in FY22-23 and subsequent years.
- The net recurring decrease in state revenue as a result of the proposed legislation is estimated to exceed \$6,426,337 (\$6,746,810 - \$320,473) in FY22-23 and subsequent years.
- The net recurring decrease in local revenue as a result of the proposed legislation is estimated to exceed \$2,622,413 (\$2,753,190 - \$130,777) in FY22-23 and subsequent years.

**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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