

FISCAL NOTE

SB 2543

January 18, 2008

SUMMARY OF BILL: Exempts from state and local sales tax the sale of materials bundled with exempt textbooks or workbooks.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue - \$368,000

Decrease Local Gov't. Revenue - \$118,000

Assumptions:

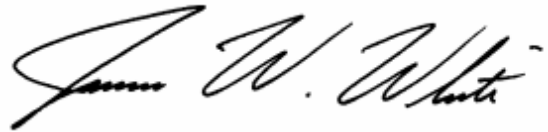
- According to the Department of Revenue (DOR) and based on Economic Census data, Tennessee college book store retail sales were approximately \$89,094,000 in 2002.
- 5% annual growth in college bookstore retail sales.
- Tennessee college book store retail sales adjusted for growth are estimated to be approximately \$119,395,000 for FY08-09.
- 80% of college bookstore retail sales are derived from the sale of textbooks and workbooks; 20% are derived from the sale of supplies and other miscellaneous merchandise.
- Tennessee college bookstore sales derived from the sale of textbooks and workbooks are estimated to be \$95,516,000 ($\$119,395,000 \times 80\% = \$95,516,000$) in FY08-09.
- According to DOR, approximately 50% of textbooks are bundled with supplementary materials.
- Bundled textbook sales are estimated to be \$47,758,000 ($\$95,516,000 \times 50\% = \$47,758,000$) in FY08-09.
- According to DOR, approximately 55% of bundled textbooks were not available for purchase without the bundled supplementary materials.
- Tennessee sales for bundled textbooks when not available for purchase without the bundled supplementary materials is estimated to be \$26,267,000 ($\$47,758,000 \times 55\% = \$26,266,900$) in FY08-09.
- 80% of the bundled sales are for the exempt textbooks or workbooks; 20% of the bundled sales are for the otherwise taxable supplementary materials.

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- Taxable sales for the supplementary materials are estimated to be \$5,253,000 ($\$26,267,000 \times 20\% = \$5,253,400$) in FY08-09.
- Current state sales tax rate is 7.0%.
- The local option tax rate is estimated to average 2.25%.
- The decrease of state revenue is estimated to be \$368,000 ($\$5,253,000 \times 7.0\% = \$367,710$) in FY08-09.
- The decrease to local government revenue is estimated to be \$118,000 ($\$5,253,000 \times 2.25\% = \$118,192$) in FY08-09.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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