

# **FISCAL NOTE**

## **HB 3269 - SB 3556**

February 1, 2008

**SUMMARY OF BILL:** Exempts school support organizations from paying state and local sales tax on any sales of tangible personal property or services when the proceeds of such are donated by the organization to a school, school district, school club, or for academic, arts, athletic, or social activities related to schools.

### **ESTIMATED FISCAL IMPACT:**

**Decrease State Revenue - \$948,000**

**Decrease Local Gov't. Revenue - \$304,800**

#### Assumptions:

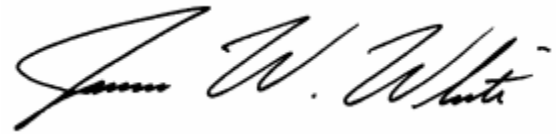
- Based on the 2007-2008 Tennessee Fact Book, there were 4,011 charitable organizations registered in Tennessee during 2007.
- 10% of all charitable organizations registered are organized as school support organizations (approximately 401).
- The Commissioner of Revenue issues exemption certificates to approximately 75% (or 301) of the school support organizations as required by the bill.
- Taxable sales for school support organizations are estimated to average \$45,000 per organization.
- Total taxable sales are estimated to be \$13,545,000 (301 organizations x \$45,000 = \$13,545,000) per year.
- The current state sales tax rate is 7.0%.
- The decrease to state revenue is estimated to be \$948,000 ( $\$13,545,000 \times 7.0\% = \$948,150$ ) per year.
- The local option sales tax rate is estimated to average 2.25%.
- The decrease to local government revenue is estimated to be \$304,800 ( $\$13,545,000 \times 2.25\% = \$304,763$ ) per year.
- The Department of Revenue has indicated that this bill would not create an additional one-time increase to state expenditures for computer

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changes because the bill exempts the sales of the organization. As a result, an exemption certificate would be issued and no necessary form or system changes would be required.

**CERTIFICATION:**

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

A handwritten signature in black ink, reading "James W. White". The signature is written in a cursive style with a large initial "J" and "W".

James W. White, Executive Director

/rnc