

# **FISCAL NOTE**

## **HB 3047 - SB 3431**

February 4, 2008

**SUMMARY OF BILL:** Exempts from state and local sales tax the first \$100,000 of sales of tangible personal property sold annually by a charitable entity whose primary function involves fundraising in support of a city, county or metropolitan library system.

### **ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures - \$90,000 / One-Time**  
**Decrease State Revenue - \$280,000**

**Decrease Local Gov't. Revenue - \$90,000**

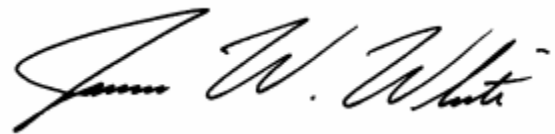
#### Assumptions:

- Based on the 2007-2008 Tennessee Fact Book, there were 4,011 charitable organizations registered in Tennessee during 2007.
- 5% of all charitable organizations registered are organized to support local government public library systems (approximately 200).
- The majority of annual sales revenue generated on behalf of local government library systems by such charitable entities is estimated to be substantially lower than the \$100,000 maximum allowance.
- Taxable sales of such charitable entities are estimated to average 20% of the maximum (or \$20,000) per entity.
- Total taxable sales are estimated to be \$4,000,000 (200 entities x \$20,000 = \$4,000,000) per year.
- The current state sales tax rate is 7.00%
- The decrease of state revenue is estimated to be \$280,000 ( $\$4,000,000 \times 7.00\% = \$280,000$ ) per year.
- The local option sales tax rate is estimated to average 2.25%.
- The decrease of local government revenue is estimated to be \$90,000 ( $\$4,000,000 \times 2.25\% = \$90,000$ ) per year.
- The Department of Revenue indicates a form and systems change would be required to ensure the organization's first \$100,000 of sales are not included in the tax computation.

- The one-time increase to state expenditures for form changes and computer and software modifications is estimated to be \$90,000.

**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