

FISCAL NOTE

SB 4106 - HB 4138

February 14, 2008

SUMMARY OF BILL: Exempts from state and local sales tax the retail sale of books by non-profit public library support organizations, when such proceeds are used solely for public library purposes. Authorizes monthly sales of books for public library support organizations.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$5,000 / One-Time
Decrease State Revenue - \$14,000 / Recurring

Decrease Local Revenue - \$4,500 / Recurring

Other Fiscal Impact – Additional foregone state and local government revenue of unknown amounts if any eligible charitable organization increases their sale of books as a direct result of this legislation.

Assumptions:

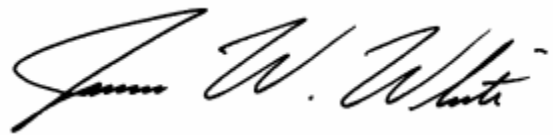
- Based on the 2007-2008 Tennessee Fact Book, there were 4,011 charitable organizations registered in Tennessee during 2007.
- 5% of all charitable organizations registered are organized to support local government public library systems (approximately 201).
- This bill requires any such non-profit public library support organization to obtain an exemption certificate from the Commissioner of Revenue declaring that such organization is entitled to the exemption.
- The Commissioner issues the required exemption certificates to 50% of such organizations (or 100 organizations).
- Each eligible charitable organization generates an average of \$2,000 of revenue from the sale of books for the purpose of supporting public libraries.
- Total taxable sales are estimated to be \$200,000 (100 organizations x \$2,000 = \$200,000) per year.
- The current state sales tax rate is 7.00%.

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- The decrease of state revenue is estimated to be \$14,000 ($\$200,000 \times 7.0\% = \$14,000$) per year.
- The local option sales tax rate is estimated to average 2.25%.
- The decrease of local government revenue is estimated to be \$4,500 ($\$200,000 \times 2.25\% = \$4,500$) per year.
- According to the Department of Revenue (DOR), some library support organizations may be able to register as dealers under this bill in order to buy new books with the intention of selling them tax free as long as the proceeds supported public libraries.
- According to DOR, departmental expenditures would increase as a result of designing exemption certificates, registering such entities as tax-exempt organizations, and for computer programming changes. Such one-time increase of state expenditures is estimated to be \$5,000.

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

/rnc