

**CORRECTED FISCAL MEMORANDUM  
SB 4106 – HB 4138**

February 25, 2008

**SUMMARY OF AMENDMENT (014122):** Authorizes public library support organizations to have an unlimited number of book sales; instead of monthly sales as specified in the original bill.

**CORRECTED FISCAL IMPACT OF ORIGINAL BILL:**

Decrease State Revenue - \$56,500  
Foregone State Revenue – Exceeds \$189,200  
Increase State Expenditures - \$5,000 / One-Time

Decrease Local Revenue - \$18,200  
Foregone Local Revenue – Exceeds \$60,800

**FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

On February 14, 2008, we issued a fiscal memorandum for this bill as amended with a fiscal impact of *unchanged from the original bill*. Based on additional information received from the Department of Revenue and the Secretary of State, the fiscal impact of this bill as amended is estimated as follows:

**(CORRECTED)**

**Decrease State Revenue - \$56,500**  
**Foregone State Revenue – Exceeds \$238,300**  
**Increase State Expenditures - \$5,000 / One-Time**

**Decrease Local Revenue - \$18,200**  
**Foregone Local Revenue – Exceeds \$76,600**

Assumptions applied to amendment:

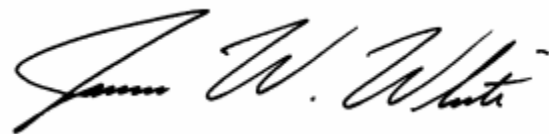
- Based on information obtained from the website of the Secretary of State (SOS) on charitable organizations, there are approximately 5,400 charitable organizations authorized to operate in Tennessee (approximately 4,000 are registered with the SOS; approximately 1,400 are exempt from registration as a result of receiving less than \$30,000 per year from public donations, grants, etc.).
- 10% of all charitable organizations are organized to support local government public library systems (approximately 540).

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- 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 required exemption certificates for 65% of such organizations (or 351 organizations).
- Each eligible charitable organization currently generates an average of \$2,300 of revenue from the sale of books for the purpose of supporting public libraries.
- Current taxable sales are estimated to be \$807,300 (351 organizations X \$2,300 = \$807,300) per year.
- The current state sales tax rate is 7.00%.
- The decrease of state revenue is estimated to be \$56,500 ( $\$807,300 \times 7.0\% = \$56,511$ ) per year.
- The local option sales tax rate is estimated to average 2.25%.
- The decrease of local government revenue is estimated to be \$18,200 ( $\$807,300 \times 2.25\% = \$18,164$ ) 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.
- Each eligible charitable organization will be authorized to sell an unlimited number of books under this bill. As a result, average book sales are reasonably estimated to increase by at least \$9,700 per year per eligible organization.
- The additional taxable sales that will occur as a result of this bill is estimated to exceed \$3,404,700 (351 organizations x \$9,700 = \$3,404,700) per year.
- Foregone state revenue is estimated to exceed \$238,300 ( $\$3,404,700 \times 7.0\% = \$238,329$ ) per year.
- Foregone local revenue is estimated to exceed \$76,600 ( $\$3,404,700 \times 2.25\% = \$76,606$ ) per year.
- 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

**SB 4106 – HB 4138 (CORRECTED)**