

DEPARTMENT OF TAXATION

2020 Fiscal Impact Statement

1. **Patron** Jennifer B. Boysko

3. **Committee** House Finance

4. **Title** Retail Sales and Use Tax; Exemption for Menstrual Supplies

2. **Bill Number** SB 231

House of Origin:

 Introduced

 Substitute

 Engrossed

Second House:

 X **In Committee**

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would establish an exemption from the Retail Sales and Use Tax for menstrual supplies including cups and pads, pantyliners, sanitary napkins, tampons, and other products to absorb or contain menstrual flow.

Under current law, menstrual supplies are taxed at the same reduced rate of 2.5 percent as food for human consumption and nondurable incontinence products. That rate is comprised of 1.5 percent state and 1 percent local sales tax.

The exemption would become effective July 1, 2021 and would end July 1, 2026. However, this bill would not become effective unless the revenue impact of the bill is accounted for in the Appropriation Act enacted by the General Assembly in 2020.

6. **Budget amendment necessary:** Yes.

Page 1, Revenue Estimates

7. **Fiscal Impact Estimates are:** Preliminary (See Line 8.)

8. **Fiscal implications:**

Administrative Costs

The Department of Taxation ("the Department") considers implementation of this bill to be routine and does not require additional funding.

Revenue Impact

This bill would result in a negative revenue impact to the General Fund of approximately \$890,000 in Fiscal Year 2022, \$993,000 in Fiscal Year 2023, \$1.02 million in Fiscal Year 2024, \$1.05 million in Fiscal Year 2025, and \$1.08 million in Fiscal Year 2026.

Estimated Sales Tax Collections on Feminine Hygiene Products (taxed at 2.5% rate like food for home consumption)

Effective July 1, 2021

(all figures in dollars)

<u>Fund</u>	<u>FY 2021</u>	<u>FY 2022*</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>
State Sales and Use Tax						
GF - Unrestricted ⁽¹⁾	-	-	-	-	-	-
GF - Restricted ⁽²⁾	-	890,000	993,000	1,018,000	1,046,000	1,075,000
Education School Age 1/8%	-	-	-	-	-	-
Education SOQ- 1/4%	-	-	-	-	-	-
Transportation ⁽³⁾	-	450,000	502,000	514,000	528,000	543,000
HMOF (GF transfer)	-	-	-	-	-	-
Local Option	-	899,000	1,003,000	1,028,000	1,056,000	1,086,000
Regional						
Hampton Roads	-	-	-	-	-	-
Northern Virginia	-	-	-	-	-	-
Historic Triangle	-	-	-	-	-	-
Total Sales and Use Tax ⁽⁴⁾	\$ -	\$ 2,239,000	\$ 2,498,000	\$ 2,560,000	\$ 2,630,000	\$ 2,704,000

Notes:

1) Includes: 2.025% General Fund Unrestricted, -0.01% Dealer Discount.

2) Includes: 1% Education 1% based on school age population, -0.01% Dealer Discount.

3) Includes 0.5% TTF, 0.175% HMOF, 0.050% IPROCF, and 0.075% Mass Transit Fund.

4) After dealer discount.

*FY 2022 assumes an 11-month impact given July 1 effective date

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.**11. Other comments:**

Chapters 549 and 550 of the 2018 *Acts of Assembly* changed the sales tax rate applicable to personal hygiene products to align with the rate applicable to food for human consumption. The applicable rate for these items is currently 2.5 percent, which is comprised of a 1.5 percent state and 1 percent local sales and use tax.

Personal hygiene products include nondurable incontinence products as well as menstrual supplies. Nondurable incontinence products include diapers, disposable undergarments, pads and bed sheets. Menstrual supplies include menstrual cups and pads, pantyliners, sanitary napkins, tampons, and other products to absorb or contain menstrual flow. This bill would not change the rate applicable to nondurable incontinence products but would eliminate the sales tax applicable to menstrual supplies.

Thirteen states currently exempt feminine hygiene products: Utah, Ohio, California (two-year exemption), Connecticut, Florida, Illinois, Maryland, Massachusetts, Minnesota, New Jersey, New York, Nevada, Pennsylvania, and Rhode Island.

Proposal

This bill would establish an exemption from the Retail Sales and Use Tax for menstrual supplies including cups and pads, pantyliners, sanitary napkins, tampons, and other products to absorb or contain menstrual flow.

The exemption would become effective July 1, 2021 and would end July 1, 2026. However, this bill would not become effective unless the revenue impact of the bill is accounted for in the Appropriation Act enacted by the General Assembly in 2020.

cc : Secretary of Finance

Date: 2/12/2020 VB
SB231FE161