DEPARTMENT OF TAXATION
2020 Fiscal Impact Statement

1. Patron Jennifer B. Boysko

2. Bill Number SB 231

House of Origin:
X **Introduced**
_____ **Substitute**
_____ **Engrossed**

3. Committee Senate Finance and Appropriations

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

Second House:
_____ **In Committee**
_____ **Substitute**
_____ **Enrolled**

5. Summary/Purpose:

This bill would establish an exemption from the Retail Sales and Use Tax for menstrual supplies including menstrual 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.

If enacted during the 2020 Regular Session of the General Assembly, this bill would become effective July 1, 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 $872,000 in Fiscal Year 2021, $971,000 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)

Fund	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
State Sales and Use Tax	$ 2,193,000	$ 2,442,000	$ 2,498,000	$ 2,560,000	$ 2,630,000	$ 2,704,000
GF - Unrestricted [1]	-	-	-	-	-	-
GF - Restricted [2]	872,000	971,000	993,000	1,018,000	1,046,000	1,075,000
Education School Age 1/8%	-	-	-	-	-	-
Education SOQ- 1/4%	-	-	-	-	-	-
Transportation [3]	440,000	490,000	502,000	514,000	528,000	543,000
Local Option	881,000	981,000	1,003,000	1,028,000	1,056,000	1,086,000
HMOF (GF transfer)	-	-	-	-	-	-
Regional Trans. Funds (0.7%)	$ -	$ -	$ -	$ -	$ -	$ -
Hampton Roads (TPO)	-	-	-	-	-	-
Northern Virginia (NVTA)	-	-	-	-	-	-
Total Sales and Use Tax [4]	$ 2,193,000	$ 2,442,000	$ 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 2021 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 menstrual cups and pads, pantyliners, sanitary napkins, tampons, and other products to absorb or contain menstrual flow.

If enacted during the 2020 Regular Session of the General Assembly, this bill would become effective July 1, 2020.

Similar Legislation

House Bill 469 is identical to this bill.

cc : Secretary of Finance

Date: 1/12/2020 VB
SB231F161