OHIO LEGISLATIVE SERVICE COMMISSION
Revised

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Fiscal Note & Local Impact Statement

Bill: H.B. 61 of the 132nd G.A.

Status: As Introduced

Sponsor: Rep. Kelly

Local Impact Statement Procedure Required: Yes

Subject: To exempt from sales tax the sale of tampons and other feminine hygiene products associated with menstruation

State & Local Fiscal Highlights

STATE FUND	FY 2018	FY 2019	FUTURE YEARS
General Revenue Fund			
Revenues	Potential loss	Loss between $3.1 million and $3.9 million	Loss between $3.1 million and $3.9 million
Local Government and Public Library Funds (counties, municipalities, townships, and public libraries)			
Revenues	Potential loss	Loss of about $0.1 million	Loss of about $0.1 million
Counties and transit authorities			
Revenues	Potential loss	Loss of between $0.8 million and $1.0 million	Loss of between $0.8 million and $1.0 million

Note: The state fiscal year is July 1 through June 30. For example, FY 2018 is July 1, 2017 – June 30, 2018.

- The bill reduces the sales and use tax base, and thus decreases state sales tax revenue and revenue from local permissive county and transit authority sales taxes.
- The state sales tax revenue loss would be shared by the General Revenue Fund (GRF, 96.66%), the Local Government Fund (LGF, 1.66%), and the Public Library Fund (PLF, 1.68%) under a provision of H.B. 49, the main operating budget act for the current biennium. Funds deposited into the LGF and PLF are distributed to counties, municipalities, townships, and public libraries according to statutory formulas and decisions by county budget commissions.

Detailed Fiscal Analysis

The bill would exempt tampons, panty liners, menstrual cups, sanitary napkins, and other similar feminine hygiene products used in connection with the menstrual cycle from the state sales and use tax. The exemption applies to all such items purchased on or after the first day of the first month that begins at least 30 days after the bill's effective date.

Fiscal effect

The bill would potentially reduce state revenue from the sales and use tax by between $3.2 million and $4.0 million per year. The bill would also reduce the tax base for county permissive and transit authorities' sales taxes because local permissive taxes share the same tax base as the state sales and use tax. The annual potential revenue loss to local governments, at approximately 24.5% of state sales tax revenues, would be between $0.8 million and $1.0 million.

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The estimates above are based on the following methods and sources of information. According to Statista.com, in 2014 total sales of liners and tampons in the United States was estimated at approximately $2.7 billion, or about $32 for each female person aged between 15 and 50 years. Using Ohio's female population in that age range of about 2.6 million would result in potential sales of nearly $82 million per year. That amount was reduced by 15% to adjust for nontaxable purchases by nonprofit organizations (that may not pay sales tax) and revenue leakages due to Internet sales to provide an estimated annual taxable base of about $70 million. The resulting potential state revenue loss from the bill, at the state sales tax rate of 5.75%, would be about $4.0 million. Please note that the bill exempts more than liners and tampons. Thus, to the extent actual taxable sales in Ohio of all items under consideration in the bill would be substantially above $70 million on an annual basis, the potential revenue loss above would be understated.

Using tax expenditure estimates related to sales tax exemptions of feminine hygiene products from Minnesota and New Jersey and after adjusting for differences in tax rates and populations, the estimated annual Ohio sales tax revenue loss from this bill may be as low as $3.2 million.[2] However, it should be noted that the exact tax statutes of those states may differ from the sales tax changes in this bill.

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[1] Under permanent law, the GRF receives 96.68% of the revenue from the sales and use tax, while 1.66% of the receipts are transferred each to the LGF (Fund 7069) and the PLF (Fund 7065).

[2] The State of Minnesota Tax Expenditure Budget Fiscal Years 2016-2019 (dated February 2016) published an estimated revenue loss of $2.3 million per year from FY 2016 through FY 2019. The State of New Jersey FY 2018 Tax Expenditure reported a revenue loss estimate of $3.2 million.