COMMONWEALTH OF KENTUCKY FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2019 REGULAR SESSION

MEASURE

2019 BR NUMBER <u>0162</u>   HOUSE BILL NUMBER <u>124</u>

TITLE <u>AN ACT relating to the exemption of diapers from sales and use taxation.</u>

SPONSOR   <u>Representative Dean Schamore</u>

FISCAL SUMMARY

STATE FISCAL IMPACT: ☒ YES ☐ NO ☐ UNCERTAIN

OTHER FISCAL STATEMENT(S) THAT MAY APPLY: ☐ ACTUARIAL ANALYSIS ☐ LOCAL MANDATE ☐ CORRECTIONS IMPACT ☐ HEALTH BENEFIT MANDATE

APPROPRIATION UNIT(S) IMPACTED: ____

FUND(S) IMPACTED: ☒ GENERAL ☐ ROAD ☐ FEDERAL ☐ RESTRICTED ____

FISCAL ESTIMATES	2018-2019	2019-2020	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES		($3,900,000)	($4,250,000)
EXPENDITURES			
NET EFFECT		($3,900,000)	($4,250,000)

( ) indicates a decrease/negative

PURPOSE OF MEASURE: The purpose of this proposal is to exempt from sales and use tax diapers for both children and adults. The exemption would affect purchases on or after July 1, 2019, but before July 1, 2023.

FISCAL EXPLANATION: This proposal, if enacted, will have an estimated negative impact to the General Fund of ($3,900,000) in FY 2019-2020 and ($4,250,000) each year at full implementation.

Data from the Bureau of Labor Statistics' Consumer Expenditure Survey (CES) was used to estimate the potential fiscal impact for this proposal. This source contains average expenditure data on a household's spending on infant underwear under the age of two. While this category may contain some spending on underwear other than diapers, it is likely that the majority of this spending is on non-adult diapers. CES provides an average annual household spending estimate for adult diapers. To the extent that spending in Kentucky on diapers differs from the national spending estimates from the CES, these estimates may over- or underestimate the true fiscal impact.

DATA SOURCE(S): <u>**Bureau of Labor Statistics, Consumer Expenditure Survey and LRC Economist office**</u>
PREPARER: <u>**Katy Jenkins**</u> **NOTE NUMBER**: <u>**30**</u> **REVIEW**: <u>**JAB**</u> **DATE**: <u>**1/25/2019**</u>