

DEPARTMENT OF TAXATION

2022 Fiscal Impact Statement

1. **Patron** Jennifer B. Boysko
3. **Committee** Senate Finance and Appropriations
4. **Title** Retail sales and use tax; Exemption for essential personal hygiene products

2. **Bill Number** SB 451
House of Origin:
 X **Introduced**
 Substitute
 Engrossed

Second House:
 In Committee
 Substitute
 Enrolled

5. Summary/Purpose:

This bill would provide a Retail Sales and Use Tax (RSUT) exemption for essential personal hygiene products. The bill would define “essential personal hygiene products” as (i) nondurable incontinence products such as diapers, disposable undergarments, pads, and bed sheets and (ii) menstrual cups and pads, pantyliners, sanitary napkins, tampons, and other products used to absorb or contain menstrual flow.

Under current law, essential personal hygiene products are taxed at a reduced rate of 2.5 percent comprised of a 1.5 percent state rate and a 1 percent local rate.

If enacted during the regular session of the 2022 General Assembly, this bill would become effective July 1, 2022.

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 considers implementation of this bill to be routine and does not require additional funding. This bill would have no impact on local administrative costs.

Revenue Impact

This bill would have an estimated negative impact to General Fund revenues of \$2.5 million in Fiscal Year 2023, \$2.8 million in Fiscal Year 2024, \$2.8 million in Fiscal Years 2025 and 2026, and \$2.9 million in Fiscal Years 2027 and 2028. This bill would have an estimated negative impact to Commonwealth Transportation Fund revenues of \$1.2 million in Fiscal Year 2023 and \$1.4 million in Fiscal Years 2024 through 2028. This bill would have an estimated negative impact to local revenues of \$2.5 million in Fiscal Year

2023, \$2.8 million in Fiscal Year 2024, and \$2.9 million in Fiscal Years 2025 through 2028. See the table below for a detailed breakout of the estimated impact by fund.

Fund	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
General Fund, K-12 (0.99%)	-\$2.5	-\$2.8	-\$2.8	-\$2.8	-\$2.9	-\$2.9
CTF (0.50%)	-\$1.2	-\$1.4	-\$1.4	-\$1.4	-\$1.4	-\$1.4
Local (1.00%)	-\$2.5	-\$2.8	-\$2.9	-\$2.9	-\$2.9	-\$2.9
Total (2.49%)	-\$6.2	-\$6.9	-\$7.1	-\$7.1	-\$7.2	-\$7.2

These amounts do not include the \$900,000 annual negative adjustment to revenues for Fiscal Years 2023 and 2024 included in the introduced budget. Including the budget adjustment, the estimated negative impact to General Fund revenues would be \$1.6 million for Fiscal Year 2023 and \$1.9 million for Fiscal Year 2024.

9. Specific agency or political subdivisions affected:

Department of Taxation
All localities

10. Technical amendment necessary: No.

11. Other comments:

Tangible personal property is subject to the RSUT unless a specific exemption applies. Currently, essential personal hygiene products are taxed at the reduced rate of 2.5 percent statewide. The reduced rate is comprised of a 1.5 percent state tax and a 1 percent local option tax. Essential personal hygiene products subject to the reduced rate include (i) nondurable incontinence products such as diapers, disposable undergarments, pads, and bed sheets and (ii) menstrual cups and pads, pantyliners, sanitary napkins, tampons, and other products used to absorb or contain menstrual flow.

Currently, 13 states and the District of Columbia specifically exempt at least some type of personal hygiene products from sales tax: Connecticut, Florida, Illinois, Maryland, Massachusetts, Minnesota, Nevada, New Jersey, New York, Ohio, Pennsylvania, Utah, and Washington.

Proposal

This bill would provide an RSUT exemption for essential personal hygiene products. The bill would define “essential personal hygiene products” as (i) nondurable incontinence products such as diapers, disposable undergarments, pads, and bed sheets and (ii) menstrual cups and pads, pantyliners, sanitary napkins, tampons, and other products used to absorb or contain menstrual flow.

If enacted during the regular session of the 2022 General Assembly, this bill would become effective July 1, 2022.

Similar Legislation

House Bill 696 is identical to this bill.

House Bill 848 would provide an RSUT exemption for incontinence products.

House Bill 1008, **Senate Bill 571**, and **Senate Bill 609** would provide an RSUT exemption for food purchased for human consumption and essential personal hygiene products.

House Bill 90 and **Senate Bill 380** would provide an RSUT exemption for food purchased for human consumption and essential personal hygiene products and would dedicate state sales tax revenue to provide a supplemental school payment to localities.

cc : Secretary of Finance

Date: 1/21/2022 VB
SB451F161