

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3941-02  
Bill No.: Perfected HCS for HB Nos. 1306 & 2065  
Subject: Taxation and Revenue - General; Taxation and Revenue - Sales and Use; Health Care  
Type: Original  
Date: March 3, 2020

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Bill Summary: This proposal places a rate cap on the sales tax imposed on feminine hygiene products.

**FISCAL SUMMARY**

| <b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>  |                                        |                                        |                                       |
|------------------------------------------------------|----------------------------------------|----------------------------------------|---------------------------------------|
| FUND AFFECTED                                        | FY 2021                                | FY 2022                                | FY 2023                               |
| General Revenue                                      | (\$2,212,790 up to \$3,161,129)        | (\$2,950,387 up to \$4,214,838)        | (\$2,950,387 up to \$4,214,838)       |
| <b>Total Estimated Net Effect on General Revenue</b> | <b>(\$2,212,790 up to \$3,161,129)</b> | <b>(\$2,950,387 up to \$4,214,838)</b> | <b>\$2,950,387 up to \$4,214,838)</b> |

| <b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>       |            |            |            |
|--------------------------------------------------------|------------|------------|------------|
| FUND AFFECTED                                          | FY 2021    | FY 2022    | FY 2023    |
|                                                        |            |            |            |
|                                                        |            |            |            |
| <b>Total Estimated Net Effect on Other State Funds</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 8 pages.

| <b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>           |            |            |            |
|--------------------------------------------------------|------------|------------|------------|
| FUND AFFECTED                                          | FY 2021    | FY 2022    | FY 2023    |
|                                                        |            |            |            |
|                                                        |            |            |            |
| <b>Total Estimated Net Effect on All Federal Funds</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |

| <b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b> |          |          |          |
|-----------------------------------------------------------|----------|----------|----------|
| FUND AFFECTED                                             | FY 2021  | FY 2022  | FY 2023  |
|                                                           |          |          |          |
|                                                           |          |          |          |
| <b>Total Estimated Net Effect on FTE</b>                  | <b>0</b> | <b>0</b> | <b>0</b> |

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

| <b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b> |            |            |            |
|--------------------------------------------|------------|------------|------------|
| FUND AFFECTED                              | FY 2021    | FY 2022    | FY 2023    |
| <b>Local Government</b>                    | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |

## **FISCAL ANALYSIS**

### **ASSUMPTION**

#### **Section 144.016 - Sales tax on feminine hygiene products.**

**Oversight** notes, in response to the previous version of this proposed legislation, officials from the **Office of Administration - Budget & Planning Division (B&P)** stated this proposed legislation would reduce the state sales tax rate for feminine hygiene products from the current rate of 4.225% to the same rate as the levy on food beginning October, 1 2020. B&P noted the state levy on food is equal to 1.225% and does not include the 3% tax that would otherwise be deposited into General Revenue (GR).

Based on information from multiple sites, B&P estimates that women purchase an average of 6.8 to 7.2 boxes of tampons and 1.7 to 1.8 boxes of pads and liners per year (using the average cycle length of 28 to 30 days), with an average price of \$7 to \$10 per box. B&P was also able to determine that the average age for menstruation is 13-51, and based on data provided by the U.S. Census Bureau, there are approximately 1.5 million women between those ages residing in Missouri. Therefore, B&P estimates total sales of \$90,279,092 to \$138,182,283 may be impacted by this proposal. B&P estimates reducing the sales tax rate on feminine hygiene products from 4.225% to 1.225% will reduce Total State Revenue (TSR) and GR by \$2,708,373 to \$4,145,468 annually.

**Oversight** notes this proposed legislation would reduce the sales tax imposed on feminine hygiene products from 4.225% to 1.225%; the same rate imposed on food. Oversight further notes, for this legislation, feminine hygiene means tampons, pads, liners and cups. The sales tax reduction would begin October 1, 2020.

Officials from the **Missouri Department of Revenue (DOR)** state, beginning October 1, 2020, the tax levied and imposed under Chapter 144 on all retail sales of feminine hygiene products shall be levied at a rate that shall not exceed the sales tax levied on the retail sale of food. Therefore, GR would lose its 3% sales tax.

DOR notes the food sales tax only includes the portion of the tax that goes to the Schools District Trust Fund (0688), the Conservation Commission Fund (0609) and the Parks, Soil and Water Funds (0613 & 0614).

Information from numerous sources indicates that a women menstruates 500 times in her lifetime, usually between the ages of 13-51. The average length of a period is 3-7 days. Sources indicate that a woman uses the following:

ASSUMPTION (continued)

|                          | Number Per Cycle | Number Per Year | Number in Box | Boxes Per Year |
|--------------------------|------------------|-----------------|---------------|----------------|
| <b>Tampons</b>           | 20               | 260             | 36            | 7.2            |
| <b>Pads/Panty Liners</b> | 5                | 65              | 36            | 1.8            |

\*Note - a woman has 13 cycles a year (28 day cycle)/365 days a year.

The price per tampons and pads vary. DOR used a low and high price range when determining the fiscal impact.

|                          | Price Low | Price High | Total Cost Low | Total Cost High |
|--------------------------|-----------|------------|----------------|-----------------|
| <b>Tampons</b>           | \$7       | \$10       | \$50.56        | \$72.22         |
| <b>Pads/Panty Liners</b> | \$7       | \$10       | \$12.64        | \$18.06         |
| <b>Total</b>             |           |            | \$63.19        | \$90.28         |

Using information from the US Census Bureau, DOR calculated the number of women (ages 13-51) in Missouri as 1,556,248.

This would result taxable sales of:

|                                      | Total Cost Low  | Total Cost High  |
|--------------------------------------|-----------------|------------------|
| <b>Total Estimated Cost Per Year</b> | \$98,346,228.00 | \$140,494,611.00 |
| <b>General Revenue Portion (3%)</b>  | \$2,950,387     | \$4,214,838      |

This proposed legislation begins October 1, 2020 (FY 2021). DOR shows a lesser loss to GR in Fiscal Year 2021 because there are three months in Fiscal Year 2021 in which feminine products would remain applicable to have the full amount of state sales tax collected.

| Fiscal Year            | Low Impact  | High Impact |
|------------------------|-------------|-------------|
| <b>2021 (9 Months)</b> | \$2,212,790 | \$3,161,129 |
| <b>2022</b>            | \$2,950,387 | \$4,214,838 |
| <b>2023</b>            | \$2,950,387 | \$4,214,838 |

**Oversight** notes DOR has provided a nine month fiscal impact for Fiscal Year 2021 as this proposed legislation would begin three months after Fiscal Year 2021 begins. Oversight will, for the purposes of this fiscal note, use DOR's estimated fiscal impact.

Officials from the **Missouri Department of Conservation (MDC)** assume an unknown fiscal impact but greater than \$100,000. The Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax pursuant to Article IV Section 43 (a) of the Missouri

ASSUMPTION (continued)

Constitution. Any change in sales and use tax collected would affect revenue to the Conservation Sales Tax funds. However, the initiative is very complex and may require adjustments to Missouri sales tax law which could cause some downside risk to the Conservation Sales Tax. MDC assumes the Department of Revenue would be better able to estimate the anticipated fiscal impact that would result from this proposal.

**Oversight** notes Article IV, Section 43 of the Missouri Constitution allows revenue received from an additional one-eighth of one percent to be used for the control, management, restoration, conservation and regulation of the bird, fish, game, forestry, and wildlife resources of this state. The Conservation Commission Fund (0609) receives this sales tax funding.

Officials from the **Missouri Department of Natural Resources (DNR)** state that creating a change in the taxation of feminine hygiene products at a rate not to exceed the sales tax levied on the retail sale of food could decrease the amount of funding available in the Parks (0613) and Soils (0614) Sales Tax Funds for long term operation of Missouri's state parks and historic sites and assistance to agriculture landowners through volunteer programs.

DNR's Parks and Soils Sales Tax Funds are derived from one-tenth of one percent sales tax and use tax pursuant to Article IV Section 47(a) of the Missouri Constitution. Therefore, the sales tax exemption could result in an unknown loss to the Parks and Soils Sales Tax Funds.

**Oversight** notes Article IV, Section 47 of the Missouri Constitution allows revenue received from an additional sales tax of one-tenth of one percent to be used for the conservation and management of the soil and water resources of Missouri and for the property management of state parks. The Parks Sales Tax Fund (0613) and the Soil and Water Sales Tax Fund (0614) each are to receive fifty percent (50%) of this sales tax funding.

**Oversight** notes this proposal would reduce the tax rate imposed on feminine products from 4.225% to 1.225% (statutory rate of 1 percent for education and rates applied by Missouri constitution equal to .125% - Conservation and .1% - Parks and Soils). Therefore, Oversight assumes this proposed legislation would not impact the sales tax revenues received by MDC and DNR and both would continue to retain their sales tax funding. Oversight further assumes this proposed legislation would only impact GR. Therefore, for the purposes of this fiscal note, Oversight will not show an impact to MDC or DNR.

Officials from the **University of Missouri's Economic and Policy Analysis Research Center (EPARC)** state this proposed legislation would lower the sales tax rate for feminine hygiene products from 4.225% to 1.225%, the same sales tax rate as food.

ASSUMPTION (continued)

EPARC used data from the Census Bureau, Bureau of Economic Analysis, and the Center for Disease Control to estimate there are 1,851,374 women between the ages of 12 and 54 in the State of Missouri. EPARC estimates these women, on average, spend \$15.03 annually on feminine hygiene products. Multiplying 1,851,374 by \$15.03, EPARC estimates Missourians spend \$27,826,151 on feminine hygiene products annually. Reducing the tax rate by 3% would reduce tax collections for these products by \$834,785. Therefore EPARC estimates GR will be reduced by \$834,785.

**Oversight** notes this proposed legislation would reduce the sales tax rate imposed on feminine hygiene products beginning October 1, 2020 (Fiscal Year 2021). Oversight notes for three months of Fiscal Year 2021, feminine products would remain taxable at the current rate of 4.225%. Therefore, the first fiscal year (Fiscal Year 2021) would experience revenue reductions equal to 9/12s of the total estimated fiscal impact.

Oversight notes that one source indicates that a woman who uses such products spends approximately \$443 on panty liners and \$1,773 on tampons within her lifetime. This would indicate that a woman who uses such products would spend a total of \$2,216 (\$443 + \$1,773) on feminine hygiene products in her lifetime.

The same source indicated that women who use these products do so between the ages of 13 and 51, or for a total of 38 years. Furthermore, the Missouri Census Data Center assumes there is approximately 1,510,729 women between the ages of 13 and 51 residing in Missouri.

Oversight estimates that if a woman spends \$2,216 on feminine hygiene products within their lifetime (38 years), she would spend approximately \$58.32 ( $\$2,216 / 38$ ) each year. If each woman spends \$58.32 on feminine hygiene products, the total spent on such products in Missouri each year would average \$88,099,354 ( $\$58.32 * 1,510,729$ ). Based on the estimated total spent on feminine hygiene products each year, Oversight estimates that the State of Missouri collects \$3,722,198 ( $\$88,099,354 * 4.225\%$ ) on feminine hygiene products annually at a rate of 4.225%. If reduced to a rate of 1.225%, the State of Missouri would collect approximately \$1,079,217 ( $\$88,099,354 * 1.225\%$ ). Therefore, Oversight estimates that GR could be reduced by \$2,642,981 each year ( $\$3,722,198 - \$1,079,217$ ) when fully implemented.

Oversight notes another source indicated women spend approximately \$120 per year on pads and tampons. If each woman between the ages of 13 and 51 spent \$120 per year on pads and tampons, a total of \$181,287,480 would be spent on such products ( $\$120 * 1,510,729$ ). Based on the estimated total spent on feminine hygiene products per year, Oversight estimates that the State of Missouri collects \$7,659,396 ( $\$181,287,480 * 4.225\%$ ) on feminine hygiene products

ASSUMPTION (continued)

annually at a rate of 4.225%. If reduced to a rate of 1.225%, the State of Missouri would collect approximately \$2,220,772 (\$181,287,480 \* 1.225%). Therefore, Oversight estimates that GR could be reduced by \$5,438,624 each year (\$7,659,396 - \$2,220,772) when fully implemented.

For the purposes of this fiscal note, Oversight will use DOR's ranged fiscal impact.

|                                         |                    |         |         |
|-----------------------------------------|--------------------|---------|---------|
| <u>FISCAL IMPACT - State Government</u> | FY 2021<br>(9 Mo.) | FY 2022 | FY 2023 |
|-----------------------------------------|--------------------|---------|---------|

**GENERAL REVENUE FUND**

Revenue Reduction - Section 144.016 -  
 Reduction of sales tax rate on feminine  
 hygiene products

|                                    |                                    |                                    |
|------------------------------------|------------------------------------|------------------------------------|
| (\$2,212,790 up<br>to \$3,161,129) | (\$2,950,387 up<br>to \$4,214,838) | (\$2,950,387 up<br>to \$4,214,838) |
|------------------------------------|------------------------------------|------------------------------------|

**ESTIMATED NET EFFECT ON  
 GENERAL REVENUE FUND**

|                                            |                                            |                                            |
|--------------------------------------------|--------------------------------------------|--------------------------------------------|
| <u>(\$2,212,790 up<br/>to \$3,161,129)</u> | <u>(\$2,950,387 up<br/>to \$4,214,838)</u> | <u>(\$2,950,387 up<br/>to \$4,214,838)</u> |
|--------------------------------------------|--------------------------------------------|--------------------------------------------|

|                                         |                    |         |         |
|-----------------------------------------|--------------------|---------|---------|
| <u>FISCAL IMPACT - Local Government</u> | FY 2021<br>(9 Mo.) | FY 2022 | FY 2023 |
|-----------------------------------------|--------------------|---------|---------|

|            |            |            |
|------------|------------|------------|
| <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
|------------|------------|------------|

FISCAL IMPACT - Small Business

This proposed legislation could impact any small business that provides for retail sale feminine hygiene products as they would be required update the rates charged for such products. (Section 144.016)

FISCAL DESCRIPTION

Beginning October 1, 2020, this bill reduces the state sales and use tax rate on retail sales of feminine hygiene products to equal the reduced state sales tax rate imposed on the retail sale of food.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration - Budget & Planning Division  
Missouri Department of Revenue  
Missouri Department of Conservation  
Missouri Department of Natural Resources  
University of Missouri - Economic and Policy Research Center



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March 3, 2020



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