Colorado Legislative Council Staff

HB17-1127

FINAL FISCAL NOTE

FISCAL IMPACT: ☒ State ☒ Local ☐ Statutory Public Entity ☐ Conditional ☐ No Fiscal Impact

Drafting Number:	LLS 17-0023	**Date:**	May 16, 2017
Prime Sponsor(s):	Rep. Lontine Sen. Martinez Humenik	**Bill Status:** **Fiscal Analyst:**	Postponed Indefinitely Greg Sobetski (303-866-4105)

BILL TOPIC: EXEMPT FEMININE HYGIENE PRODUCTS FROM SALES TAX

Fiscal Impact Summary	FY 2017-2018	FY 2018-2019
State Revenue	**($1.2 million)**	**($2.4 million)**
General Fund	(1.2 million)	(2.4 million)
State Expenditures		
TABOR Impact	($1.2 million)	($2.4 million)
Appropriation Required: None.		
Future Year Impacts: Ongoing state revenue decrease.		

NOTE: This bill was not enacted into law; therefore, the impacts identified in this analysis do not take effect.

Summary of Legislation

Beginning January 1, 2018, this bill creates a state sales and use tax exemption for feminine hygiene products, including tampons, menstrual pads, pantiliners, menstrual sponges, and menstrual cups. The exemption is not extended by default to counties or municipalities that levy sales taxes, though these local governments may choose to incorporate the exemption at any time.

State Revenue

The bill is expected to reduce General Fund sales and use tax revenue by **$1.2 million in FY 2017-18** and **$2.4 million in FY 2018-19**, and by similar amounts in subsequent years. The revenue reduction for FY 2017-18 represents a half-year impact based on the January 1, 2018, effective date for the sales and use tax exemption in the bill.

Assumptions. According to the National Institute of Health, girls experience menarche, or first menstruation, at age 12 on average, and women experience menopause at age 51 on average. The State Demographer estimates that Colorado's population of women and girls between ages 12 and 51 will average 1,523,000 in 2018 and 1,551,000 in 2019. These forecasts were reduced to reflect the population of women expected to stop menstruating while pregnant or nursing, but not to accommodate other factors that halt menstruation, including medical procedures, health conditions, or voluntary menstrual suppression. To the extent that these factors reduce consumption of feminine hygiene products, the revenue reduction will be less than estimated.

Based on estimates from the Centers for Disease Control and Prevention, this fiscal note assumes that 59.6 percent of feminine hygiene product use is attributable to menstrual pads and pantiliners, and that 40.4 percent of product use is attributable to tampons. Menstrual sponges and menstrual cups are also exempted from sales tax in the bill but were not considered separately in this fiscal analysis. It is assumed that women who menstruate for an average of 13 cycles annually use about 235 menstrual pads or tampons, or some combination of these. Based on current retail prices, pre-tax spending on the products exempted in the bill averages $60 per woman annually, generating $1.71 in state sales tax after netting out the state's 3.33 percent vendor fee.

TABOR Impact

This bill reduces state revenue from sales and use taxes, which will reduce the amount of money required to be refunded under TABOR. TABOR refunds are paid out of the General Fund. Since the bill reduces both revenue to the General Fund and the refund obligation by equal amounts, there is no net impact on the amount of money available in the General Fund for the budget. However, the bill will reduce money available for the General Fund budget in the future during years when the state does not collect money above the TABOR limit.

Local Government Impact

The sales tax exemption for feminine hygiene products is not by default extended to counties or municipalities. However, the bill is expected to reduce revenue to special districts collecting sales taxes on the same tax base as the state. Regional Transportation District (RTD) sales tax revenue is expected to decrease by $240,000 in FY 2017-18 and $495,000 in FY 2018-19. Scientific and Cultural Facilities District (SCFD) sales tax revenue is expected to decrease by $24,000 in FY 2017-18 and $50,000 in FY 2018-19.

To the extent that other local governments choose to authorize the exemption at a local level, sales tax revenue collected by these jurisdictions will be reduced. These impacts are not estimated.

Effective Date

The bill was postponed indefinitely by the House Appropriations Committee on May 5, 2017.

State and Local Government Contacts

Counties	Information Technology	Municipalities
Regional Transportation District	Revenue	Special Districts
