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REPORT OF THE SALES AND INCOME TAX SUBCOMMITTEE

(Newton, Stavrinakis, Dillard, Taylor & Hyde - Staff Contact: Emma Hall)

HOUSE BILL 3563

H. 3563 -- Reps. Cobb-Hunter and Pace: A BILL TO AMEND THE SOUTH CAROLINA CODE OF LAWS BY AMENDING SECTION 12-36-2120, RELATING TO SALES TAX EXEMPTIONS, SO AS TO PROVIDE FOR AN EXEMPTION FOR FEMININE HYGIENE PRODUCTS.

Received by Ways and Means: 12/15/22

Summary of Bill: This bill exempts feminine hygiene products, including tampons, sanitary napkins, and other similar items, from state sales tax.

Estimated Revenue Impact: This bill will reduce state revenue by \$5,915,000 and will reduce local sales and use taxes revenue by an estimated \$1,410,000 for a total impact of \$7,325,000 beginning in FY 2023-24.

Other Notes/Comments: Subcommittee favorable report 3/29/23.



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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This fiscal impact statement is produced in compliance with the South Carolina Code of Laws and House and Senate rules. The focus of the analysis is on governmental expenditure and revenue impacts and may not provide a comprehensive summary of the legislation.

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|------------------------|----------------------|--------------------------------|
| Bill Number: | H. 3563 | Introduced on January 10, 2023 |
| Author: | Cobb-Hunter | |
| Subject: | Sales Tax Exemption | |
| Requestor: | House Ways and Means | |
| RFA Analyst(s): | Jolliff | |
| Impact Date: | March 27, 2023 | |

Fiscal Impact Summary

This bill exempts the sale of feminine hygiene products from sales and use tax. The Department of Revenue (DOR) will be able to administer the new exemption with existing staff and resources, as the department already administers several sales tax exemptions. Therefore, this bill will not impact expenditures for the agency.

This bill will reduce state General Fund sales and use tax by \$3,943,000, the Education Improvement Act (EIA) Fund by \$986,000, and the Homestead Exemption Act (HEX) Fund by \$986,000 beginning in FY 2023-24, for a total state revenue reduction of \$5,915,000. Further, this bill will reduce local sales and use taxes by an estimated \$1,410,000 beginning in FY 2023-24. Collectively, the proposed sales and use tax exemption will reduce total state and local sales and use tax revenue by an estimated \$7,325,000 beginning in FY 2023-24. This analysis assumes feminine hygiene products include menstrual care products, such as tampons, menstrual cups, panty liners, pads, and feminine treatment products. If the definition in the bill is interpreted to include additional products beyond these, then this analysis would be affected.

Explanation of Fiscal Impact

Introduced on January 10, 2023

State Expenditure

This bill exempts the sale of feminine hygiene products from sales and use tax, therefore requiring DOR to administer additional sales tax exemptions. DOR will be able to administer the new exemption with existing staff and resources, as DOR already administers several sales tax exemptions. Therefore, this bill will not impact expenditures for the agency.

State Revenue

This bill exempts the sale of feminine hygiene products from sales and use tax beginning on July 1, 2021. Feminine hygiene products are defined as tampons, sanitary napkins, and other similar personal care items for use in connection with the menstrual cycle.

According to Global Industry Analysts (GIA), a global marketing and consumer survey company specializing in market research, total sales of feminine hygiene products in the U.S. are projected

to reach \$6.2 billion in 2022¹. GIA's analysis is based on historical and estimated market trends in feminine hygiene product sales and considers stakeholder analysis from manufacturers of feminine hygiene products, differences in preference by age, and changing sales trends, among other factors. Previous estimates anticipated growth from total sales of \$5.9 billion in 2017 would grow to \$6.2 billion in 2020. However, market changes from COVID-19 and faster growth in other global markets lowered projected growth in the U.S. market share despite inflation.

Please note, this analysis assumes feminine hygiene products include menstrual care products, such as tampons, menstrual cups, panty liners, pads, and feminine treatment products. If the definition in the bill is interpreted to include additional products beyond these, then this analysis would be affected.

Adjusting the total \$6.2 billion in U.S. feminine hygiene product sales by a population factor of 1.59 percent for South Carolina sales yields an estimated gross sales amount of \$98,580,000. Alternatively, we also reviewed an analysis by Louisiana's Legislative Fiscal Office in the fiscal note published for a similar proposed exemption in 2019.² Louisiana estimated that average annual expenditures total approximately \$71 per female per year. Adjusting Louisiana's analysis for South Carolina's population and accounting for inflation, this method similarly yields an estimated \$97,782,000 in South Carolina sales.

Applying the total state sales and use tax rate of 6 percent to sales of \$98,580,000 yields a reduction in state sales and use tax of an estimated \$5,915,000 beginning in FY 2023-24. Of this amount, General Fund sales and use tax would be reduced by \$3,943,000, the EIA Fund would be reduced by \$986,000, and the HEX Fund would be reduced by \$986,000 beginning in FY 2023-24.

Local Expenditure

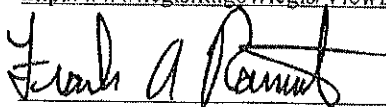
N/A

Local Revenue

This bill exempts the sale of feminine hygiene products from sales and use tax. Local sales and use taxes in South Carolina average an additional 1.43 percent. Based upon the analysis outlined in the State Revenue section, this bill would, therefore, reduce local sales and use taxes by an estimated \$1,410,000 beginning in FY 2023-24.

¹ Global Feminine Hygiene Products Industry - Market Study by Global Industry Analysts, Inc. Summary retrieved March 24, 2023, from https://www.reportlinker.com/p01374691/Global-Feminine-Hygiene-Products-Industry.html?utm_source=PRN

² <http://www.legis.la.gov/legis/ViewDocument.aspx?d=1140088>



Frank A. Rainwater, Executive Director

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A BILL

TO AMEND THE SOUTH CAROLINA CODE OF LAWS BY AMENDING SECTION 12-36-2120,
RELATING TO SALES TAX EXEMPTIONS, SO AS TO PROVIDE FOR AN EXEMPTION FOR
FEMININE HYGIENE PRODUCTS.

Be it enacted by the General Assembly of the State of South Carolina:

SECTION 1. Section 12-36-2120 of the S.C. Code is amended by adding:

(84) feminine hygiene products. For purposes of this item, "feminine hygiene products" means
tampons, sanitary napkins, and other similar personal care items for use in connection with the
menstrual cycle.

SECTION 2. This act takes effect upon approval by the Governor.

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