



**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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<b>Bill Number:</b>	H. 3563	Signed by Governor on May 13, 2024
<b>Author:</b>	Cobb-Hunter	
<b>Subject:</b>	Sales Tax Exemption	
<b>Requestor:</b>	House of Representatives	
<b>RFA Analyst(s):</b>	Jolliff	
<b>Impact Date:</b>	May 20, 2024	

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### **Fiscal Impact Summary**

This bill exempts the sale of feminine hygiene products from sales and use tax. The bill is effective upon approval by the Governor.

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 \$4,095,000, the Education Improvement Act Fund (EIA) by \$1,024,000, and the Homestead Exemption Fund (HEX) by \$1,024,000 beginning in FY 2024-25, for a total state revenue reduction of \$6,143,000. Further, this bill will reduce local sales and use taxes by an estimated \$1,607,000 beginning in FY 2024-25. Collectively, the proposed sales and use tax exemption will reduce total state and local sales and use tax revenue by an estimated \$7,750,000 beginning in FY 2024-25. This analysis assumes feminine hygiene products include items such as tampons, sanitary napkins, menstrual cups, and similar 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**

#### **Signed by Governor on May 13, 2024**

##### **State Expenditure**

This bill exempts the sale of feminine hygiene products from sales and use tax. 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 upon approval by the Governor. Feminine hygiene products are defined as tampons, sanitary napkins, and other similar personal care items for use in connection with the menstrual cycle. Please note, this analysis assumes feminine hygiene products include menstrual care products, such as tampons, sanitary napkins, menstrual cups, and similar items. If the definition in the bill is interpreted to include additional products beyond these, then this analysis would be affected.

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 2022.<sup>1</sup> 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 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.

Adjusting the total \$6.2 billion in U.S. feminine hygiene product sales by a population factor of 1.6 percent for South Carolina sales yields an estimated gross sales amount of \$99,200,000. Alternatively, we also reviewed an analysis by Louisiana's Legislative Fiscal Office in the fiscal note published for a similar proposed exemption in 2019.<sup>2</sup> 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 \$105,560,000 in South Carolina sales. Using these two methods, sales is estimated to average approximately \$102,380,000.

Applying the total state sales and use tax rate of 6 percent to sales of \$102,380,000 yields a reduction in state sales and use tax of an estimated \$6,143,000 beginning in FY 2024-25. Of this amount, General Fund sales and use tax would be reduced by \$4,095,000, the EIA Fund would be reduced by \$1,024,000, and the HEX Fund would be reduced by \$1,024,000 beginning in FY 2024-25.

### **Local Expenditure**

N/A

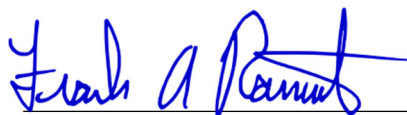
### **Local Revenue**

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 1.57 percent. Based upon the analysis outlined in the State Revenue section, this bill would, therefore, reduce local sales and use taxes by an estimated \$1,607,000 beginning in FY 2024-25.

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<sup>1</sup> 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](https://www.reportlinker.com/p01374691/Global-Feminine-Hygiene-Products-Industry.html?utm_source=PRN)

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



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