

DEPARTMENT OF TAXATION

2025 Fiscal Impact Statement

1. **Patron** David R. Suetterlein

2. **Bill Number** SB 1172

3. **Committee** Senate Finance and Appropriations

House of Origin:

X **Introduced**

 Substitute

 Engrossed

4. **Title** Sales and use tax; food purchased for human consumption and essential personal hygiene products

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would exempt food purchased for human consumption and essential personal hygiene products from the local option sales and use tax, thereby providing these items a complete exemption from sales tax beginning January 1, 2026. The bill would also provide an allocation of state revenues to counties and cities to replace the revenue that would have otherwise been collected absent the exemption created by the bill according to the locality's proportional share of sales and use tax collections.

Food purchased for human consumption and essential personal hygiene products are currently subject only to the 1 percent local option sales and use tax.

If enacted during the regular session of the 2025 General Assembly, this bill would become effective January 1, 2026.

6. **Budget amendment necessary:** Yes

Items: Page 1: Revenue Estimates

Item 251: Department of Accounts Transfer Payments

7. **Fiscal Impact Estimates are:** Preliminary. (See Line 8.)

7b. **Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2025-26	(\$127.7M)	GF
2026-27	(\$321.1M)	GF
2027-28	(\$329.4M)	GF
2028-29	(\$347.9M)	GF
2029-30	(\$361.3M)	GF
2030-31	(\$373.9M)	GF

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 may have an unknown impact on local administrative costs.

Revenue Impact

This bill would have an estimated negative General Fund revenue impact as shown above. A budget amendment would be necessary as the monthly distributions to localities are not included in the Introduced Budget, but such an amendment has been proposed. The bill would have no net impact on local revenues, as it would require an appropriation equal to the amount of reduced Retail Sales and Use Tax revenues that localities would have otherwise received.

9. Specific agency or political subdivisions affected:

All localities
Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Current Law

Legislation enacted during the 2022 General Assembly exempted food purchased for human consumption and essential hygiene products from the state 1.5 percent Retail Sales and Use Tax beginning January 1, 2023. The local one percent rate of the tax continues to apply to these items.

Food purchased for human consumption and essential personal hygiene products are not subject to state sales tax but are subject to the 1 percent local option sales tax rate. These items are not subject to the regional sales tax levied in transportation districts or the additional local sales tax levied in some localities to pay for school construction.

“Food purchased for human consumption” has the same meaning as “food” defined in the Food Stamp Act of 1977, as amended, and federal regulations adopted pursuant to that Act, except it does not include seeds and plants which produce food for human consumption. “Food purchased for human consumption” does not include food sold by any retail establishment where the gross receipts derived from the sale of food prepared by such retail establishment for immediate consumption on or off the premises of the retail establishment constitutes more than 80 percent of the total gross receipts of that retail establishment, including but not limited to motor fuel purchases, regardless of whether such prepared food is consumed on the premises of that retail establishment.

“Essential personal hygiene products” means (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.

Proposal

This bill would exempt food purchased for human consumption and essential personal hygiene products from the local option sales and use tax, thereby providing these items a complete exemption from sales tax beginning January 1, 2026. The bill would also provide an allocation of state revenues to localities to replace the revenue that would have otherwise been collected absent the exemption created by the bill according to the locality’s proportional share of sales and use tax collections.

If enacted during the regular session of the 2025 General Assembly, this bill would become effective January 1, 2026.

Similar Legislation

House Bill 2006 is substantively identical to this bill except that it would become effective July 1, 2025, rather than January 1, 2026.

cc : Secretary of Finance

Date: 01/19/2025 VB
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