

DEPARTMENT OF TAXATION

2026 Fiscal Impact Statement

1. **Patron** David R. Suetterlein

3. **Committee** Senate Finance and Appropriations

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

2. **Bill Number** SB 9

House of Origin:

Introduced

Substitute

Engrossed

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. 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, according to each locality's proportional share of sales and use tax collections.

Under current law, food purchased for human consumption and essential personal hygiene products are currently subjected only to the 1 percent local option sales and use tax.

This bill would become effective January 1, 2027.

6. **Budget amendment necessary:** Yes

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

8. **Fiscal implications:**

Administrative Costs

The Department of Taxation ("the Department") considers implementation of this bill as routine and does not require additional funding.

Due to the bill's effective date of January 1, 2027, this legislation does not require significant changes to the Department's systems and is not impacted by the Integrated Revenue Management System (IRMS) replacement project. No resource constraints or implementation considerations are anticipated.

Revenue Impact

As this bill would create a local tax exemption, it would reduce local sales tax revenues.

However, the bill would provide a distribution to localities for the lost revenue. Therefore, there would be no net impact on overall local revenues. The total estimated negative impact of this distribution would be as follows:

Fiscal Year	Dollars
2026-27	(\$132.0M)
2027-28	(\$325.0M)
2028-29	(\$334.4M)
2029-30	(\$344.8M)
2030-31	(\$356.5M)
2031-32	(\$366.5M)

This distribution would reduce the amount of General Fund revenues available for appropriation.

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. 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.

This bill would become effective January 1, 2027.

Similar Legislation

House Bill 13 would, beginning July 1, 2026, exempt food purchased for human consumption and essential personal hygiene products from the local option sales and use tax and provide an allocation of state revenues to localities to replace the revenue that would have otherwise been collected.

cc : Secretary of Finance

Date: 01/17/2026 AB
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