

Lane Ginsbern

Applied Economic Analysis

## Should Feminine Hygiene Products Be Exempt from Sales Tax?

The Colorado State House proposes Bill HB17-1127 (“The Bill”) exempting feminine hygiene products from state sales tax. The B

Sales tax are a regressive tax because they account for a larger portion of lower-income individual's total income than higher-income individuals. For instance,

and producers when an **ad valorem** tax, such as a sales tax, is levied on market with inelastic demand and elastic supply.

The area shaded red depicts the burden of the tax that consumers face, and the area shaded blue shows the burden of the tax that producers face. The relative tax burden consumers and producers face is referred to as tax incidence. Tax incidence depends on the relative price

products is relatively elastic, because suppliers face a nearly perfect competitive market, readily available inputs, and easy product storage. As such, the tax incidence of the sales tax on feminine hygiene products falls most heavily consumers.

The U.S. Food & Drug Administration (FDA) considers feminine hygiene products, such as tampons and sanitary pads, medical devices<sup>4</sup>. As such, the issue of sales tax on feminine hygiene

females. Thus, it is unlikely that an alternative means testing policy would be a cost-effective way of providing feminine hygiene products to low income females.

In addition, participation rates in means testing programs are, historically, relatively low. For instance, estimates show that only 65% of eligible families participate in the Food Stamp Program, which electronically delivers monthly food vouchers to low-income individuals and families<sup>5</sup>. As such, it is highly unlikely that every low-income woman would benefit from a means testing program, like feminine hygiene product vouchers. Conversely, The Bill would reduce the price of feminine hygiene products for all low-income women.

Sales tax on Feminine hygiene products puts an inequitable burden on low-income individuals. This is because sales taxes are generally regressive in nature, and since feminine