

TAX: Sales Tax

ISSUE: Sales tax holiday for single clothing (including footwear) and baggage items valued at \$100 or less.

BILL NUMBER(S): SB 64

SPONSOR(S):

EFFECTIVE DATE: Upon becoming law

DATE OF ANALYSIS: April 14, 2000

SECTION 1: NARRATIVE

a. Current Law:

All purchases of clothing are subject to the 6% statewide sales and use tax under ch. 212, F.S.

b. Proposed Change:

All purchases of single clothing, footwear and baggage items valued at \$100 or less would be exempt from the sales and use tax under ch. 212, F.S., for 5 days (July 29, 2000, to August 2, 2000).

SECTION 2: DESCRIPTION OF DATA & SOURCES

1. NIPA data from Survey of Current Business, August, 1999.
2. REC 1099 US and Florida Demographic forecasts
3. NY study on clothing exemptions.

SECTION 3: ASSUMPTIONS & RATIONALE

1. Consumption expenditure on clothing and footwear grew at the same rate as expenditure on Household Operations.
2. 14% of all expenditure on clothing is via mail order
3. Florida's higher than average proportion of seniors implies lower than average expenditure on clothing.
4. The behavioral factor is 73% (based on NY data)
5. The items excluded under the law from the clothing and footwear category is approximately equal to the expenditure by non-residents.

SECTION 4: METHODOLOGY

See attached spreadsheet.

SECTION 5: IMPACT SUMMARY (DETAILS ATTACHED)

State Impact - All Funds	FY 2000-01 Annualized	FY 2001-02 Annualized	FY 2000-01 Cash	FY 2001-02 Cash
High	-\$22.8 million		-\$22.8 million	
Medium	-\$21.6 million		-\$21.6 million	
Low	-\$20.4 million		-\$20.4 million	

Consensus Estimate Adopted: 4/14/00	FY 2000-01 Annualized	FY 2000-01 Cash	FY 2001-02 Cash
General Revenue Solid Waste Management T.F.		(19.7) (insignificant) (19.7)	
Local Gov't Half Cent Local Option Sales		(1.9) (1.3) (3.2)	
Total Local Impact			
Total Impact		(22.9)	

TAX: Sales Tax

ISSUE: Sales tax exemption for school supplies

BILL NUMBER(S): SB 64

SPONSOR(S):

EFFECTIVE DATE:

DATE OF ANALYSIS: April 14, 2000

SECTION 1: NARRATIVE

a. Current Law:

All purchases of school supplies are subject to the 6% statewide sales and use tax under ch. 212, F.S.

b. Proposed Change:

Purchases of school supplies including pens, pencils, erasers, crayons, notebooks, notebook paper, legal pads, composition books, poster paper, scissors, cellophane tape, glue or paste, rulers, protractors, compasses and calculators, will be exempted from paying sales tax as long as these items sell for \$10 or less. This exemption is limited to the period between July 29, 2000, through midnight, August 2, 2000.

SECTION 2: DESCRIPTION OF DATA & SOURCES

1. Preliminary student enrollment projections from DOE and BOR.

SECTION 3: ASSUMPTIONS & RATIONALE

1. School supply expenditures at different grade levels.

PreK-2	\$ 25.00
3-5	\$ 35.00
6-8	\$ 45.00
9-12	\$ 50.00
Univ. Students	\$ 50.00

2. All students will not take advantage of the tax holiday for school supplies due to either not knowing about it or not thinking it worthwhile.

3. A certain number of businesses may take advantage of the tax holiday to obtain tax-free office supplies. The estimates are simply bumped up by 30% to account for this.

4. Private college/university enrollment is an additional 30% of SUS enrollment.

5. Private school + home school enrollment is an additional 15% of public school enrollment (based on data provided by DOE).

SECTION 4: METHODOLOGY

School children and college/university students are assumed to buy school supplies for the school year at the levels stated above. These are then simply multiplied by projected enrollment figures to obtain a total. To account for businesses taking advantage of the tax holiday, a weekly sales (stationery) for a large office supplies company is used and a market share is assigned to that company. The figure is then used to compute total stationery sales in Florida. This figure is then doubled to account for behavioral change.

The high, medium, and low scenarios are generated as per the following:

High - 80% of the school children and 50% of the university students take advantage of the tax holiday.

Medium - 65% of the school children and 35% of the university students take advantage of the tax holiday.

Low - 50% of the school children and 20% of the university students take advantage of the tax holiday.

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SECTION 5: IMPACT SUMMARY (DETAILS ATTACHED)

State Impact - All Funds	FY 2000-01 Annualized	FY 2001-02 Annualized	FY 2000-01 Cash	FY 2001-02 Cash
High	-\$5.4 million		-\$5.4 million	
Medium	-\$4.6 million		-\$4.6 million	
Low	-\$3.7 million		-\$3.7 million	

Consensus Estimate Adopted: 4/14/00	FY 2000-01 Annualized	FY 2000-01 Cash	FY 2001-02 Cash
General Revenue Solid Waste Management T.F. Total State Impact		(4.2) (insignificant) (4.2)	
Local Gov't Half Local Option Sales Total Local Impact		(.4) (.3) (.7)	
Total Impact		(4.9)	

Tax Holiday Impact

(Clothing School Supplies, Jul 29 to Aug 2)

	Low	Medium	High
National Expenditure on Apparel and Shoes	346,049.3	346,049.3	346,049.3
Fl. share based on pop forecast of 00-01	19,831.0	19,831.0	19,831.0
Fl. Exp. on Apparel & Shoes (adjusted)	18,343.7	18,343.7	18,343.7
Est. Fl. Based Sales of Apparel & Shoes (mail ord. Adj.)	15,775.6	15,775.6	15,775.6
Sales Tax at 6%	946.5	946.5	946.5
Exempted Amount (85%, 90%, & 95%)	804.6	851.9	899.2
Prel. 5-day fiscal impact in Florida (\$ 100 limit)	\$ (11.02)	\$ (11.67)	\$ (12.32)
Seasonal factor for August	1.07	1.07	1.07
The behavioral factor based on New York history	1.73	1.73	1.73
Adj. 5 day fiscal impact in Florida (\$ 100 limit - Clothing)	\$ (20.4)	\$ (21.6)	\$ (22.8)
Adj. 5 day fiscal impact in Florida (\$ 10 limit - School Supplies)	\$ (3.7)	\$ (4.6)	\$ (5.4)
Total Impact for Amended SB 64	\$ (24.1)	\$ (26.2)	\$ (28.2)