

**TAX: Sales Tax**

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

**BILL NUMBER(S):** SB 156, HB 251

**SPONSOR(S):** SEN. COWIN, REP. KILMER

**EFFECTIVE DATE:** Upon becoming law

**DATE OF ANALYSIS:** February 7, 2001

**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 9 days (July 28, 2001, to August 5, 2001).

**SECTION 2: DESCRIPTION OF DATA & SOURCES**

1. NIPA data from DRI.
2. REC 1000 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.
6. Some percentage of schoolchildren and university students will buy backpacks.

**SECTION 4: METHODOLOGY**

See attached spreadsheet.

**SECTION 5: IMPACT SUMMARY (DETAILS ATTACHED)**

| State Impact - All Funds | FY 2001-02 Annualized | FY 2002-03 Annualized | FY 2001-02 Cash | FY 2002-03 Cash |
|--------------------------|-----------------------|-----------------------|-----------------|-----------------|
| High                     | -\$43.0 million       |                       | -\$43.0 million |                 |
| Medium                   | -\$40.4 million       |                       | -\$40.4 million |                 |
| Low                      | -\$37.8 million       |                       | -\$37.8 million |                 |

| Consensus Estimate<br>Adopted: 2/9/01 | FY 2000-01 Annualized | FY 2000-01 Cash | FY 2001-02 Cash |
|---------------------------------------|-----------------------|-----------------|-----------------|
| General Revenue                       |                       | (35.5)          |                 |
| Solid Waste Mgmt                      |                       | (.1)            |                 |
| Total State Impact                    |                       | (35.6)          |                 |
| Rev. Sharing                          |                       | (1.2)           |                 |
| Local Impact                          |                       | (3.6)           |                 |
| Local Option                          |                       | (2.4)           |                 |
| Total Local Impact                    |                       | (7.2)           |                 |
| Total Impact                          | 0                     | (42.8)          | 0               |

## Fiscal Impact of August (9 days) Sales Tax Holiday for Clothing (< \$100)

|  | <u>Low</u>       | <u>Medium</u>    | <u>High</u>      |
|--|------------------|------------------|------------------|
| National Expenditure on Apparel and Shoes                | 350,900.0        | 350,900.0        | 350,900.0        |
| Fl. share based on pop forecast of 01-02                 | 20,141.7         | 20,141.7         | 20,141.7         |
| Fl. Exp. on Apparel & Shoes (adjusted)                   | 18,631.0         | 18,631.0         | 18,631.0         |
| Est. Fl. Based Sales of Apparel & Shoes (mail ord. Adj.) | 16,022.7         | 16,022.7         | 16,022.7         |
| Sales Tax at 6%  | 961.4            | 961.4            | 961.4            |
| Exempted Amount (85%, 90%, & 95%)                        | 817.2            | 865.2            | 913.3            |
| Prel. 9-day fiscal impact in Florida (\$ 100 limit)      | \$ (20.15)       | \$ (21.33)       | \$ (22.52)       |
| 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. 9 day fiscal impact in Florida (\$ 100 limit)       | \$ (37.3)        | \$ (39.5)        | \$ (41.7)        |
| Backpacks (30%, 20%, 10% of Prek-12 + U Stu. (\$25))     | \$ (0.4)         | \$ (0.9)         | \$ (1.3)         |
| <b>Total Impact</b>                                      | <b>\$ (37.8)</b> | <b>\$ (40.4)</b> | <b>\$ (43.0)</b> |