

TAX: Sales Tax

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

BILL NUMBER(S): HB 97/SB 214

SPONSOR(S): REP. KILMER/SEN. COWIN

EFFECTIVE DATE: Upon becoming law

DATE OF ANALYSIS: January 16, 2002

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 27 - August 4, 2002). Sales of clothing under \$100 at theme parks, airport shops, and hotel/motel gift shops are excluded from this tax holiday.

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 2002-03 Annualized	FY 2003-04 Annualized	FY 2002-03 Cash	FY 2003-04 Cash
High	-\$43.0 million		-\$43.0 million	
Medium	-\$40.3 million		-\$40.3 million	
Low	-\$37.7 million		-\$37.7 million	

Consensus Estimate Adopted: 1/17/02	FY 2002-03 Annualized	FY 2002-03 Cash	FY 2003-04 Cash
General Revenue		(35.4)	
Solid Waste		(.1)	
Management T.F.			
Total State Impact		(35.5)	
Total Local Impact		(7.1)	
Total Impact		(42.6)	

Revenue Sharing (1.2)
 Local Half Cent (3.5)
 Local Option (2.4) 16

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

	<u>Low</u>	<u>Medium</u>	<u>High</u>
National Pers. Expenditure on Clothing and Shoes	342,832.1	342,832.1	342,832.1
Fl. share based on pop forecast of 02-03	20,495.0	20,495.0	20,495.0
Fl. Exp. on Apparel & Shoes (adjusted)	18,957.9	18,957.9	18,957.9
Est. Fl. Based Sales of Apparel & Shoes (mail ord. Adj.	16,303.8	16,303.8	16,303.8
Sales Tax at 6%	978.2	978.2	978.2
Exempted Amount (85%, 90%, & 95%)	831.5	880.4	929.3
Prel. 9-day fiscal impact in Florida (\$ 100 limit)	\$ (20.50)	\$ (21.71)	\$ (22.91)
Seasonal factor for August	1.05	1.05	1.05
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)
Total Impact	\$ (37.7)	\$ (40.3)	\$ (43.0)