

TAX: Sales & Use Tax

ISSUE: Sales Tax Holiday for Clothing and Retail Books sold for \$50 or less and School Supplies sold for \$10 or less

BILL NUMBER(S): SB 474 Strike-all amendment dated 3/17/03

SPONSOR(S): Sen. Cowin

MONTH/YEAR COLLECTION IMPACT BEGINS: Upon becoming law

DATE OF ANALYSIS: March 24, 2003

SECTION 1: NARRATIVE

a. Current Law:

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

b. Proposed Change:

During the **nine-day period July 26, 2003 through August 3, 2003**, purchases of clothing including wallets or bags, including handbags, backpacks, fanny packs, and diaper bags, but excluding briefcases, suitcases, and other garment bags will be exempt from paying sales tax as long as these items sell for \$50 or less. Clothing is defined as “any article of wearing apparel, including all footwear, except skis, swim fins, roller blades, and skates, intended to be worn on or about the human body” but not including “watches, watchbands, jewelry, umbrellas, or handkerchiefs.”

During **one-month period from May 1, 2004 through May 31, 2004**, purchases of retail books will be exempt from paying sales tax. Books are defined as “a set of printed sheets bound together and published in a volume” not including newspapers, magazines or other periodicals.

During the **nine-day period July 26, 2003 through August 3, 2003**, purchases of school supplies including pens, pencils, erasers, crayons, notebooks, notebook filler paper, legal pads, composition books, poster paper, scissors, cellophane tape, glue or paste, rulers, protractors, compasses, calculators will be exempted from paying sales tax as long as these items sell for \$10 or less.

SECTION 2: DESCRIPTION OF DATA & SOURCES

National Income & Product Accounts data from the U. S. Department of Commerce, Bureau of Economic Analysis. National Economic Forecast, Feb. 14, 2003. Florida Economic Forecast, Feb. 14, 2003. Consumer Expenditures, U.S. Department of Labor, Bureau of Labor Statistics. Statistical Abstract of the United State: 2002, Table 1111 (Quantity of Books Sold & Value of U.S. Domestic Consumer Expenditures: 1995 to 2001) and Retail Sales data from U.S. Department of Commerce, Bureau of Census.

School membership information (Fall 2002) from DOE and March 7, 2003 REC forecast of enrollment growth. University and Community College Fall headcount enrollment figures from the Florida Board of Education, Division of Colleges and Universities and Division of Community Colleges and historical growth from Fall 2001 to Fall 2002. DOE Statistical Brief “Florida’s Nonpublic Schools, 2001-02.”

SECTION 3: ASSUMPTIONS & RATIONALE

See attached sheets. Estimates for clothing, books, and school supplies are shown separately.

SECTION 4: METHODOLOGY

See attached sheets.

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SECTION 5: IMPACT SUMMARY (DETAILS ATTACHED)

State Impact—All Funds	FY 2003-04 Annualized	FY 2003-04 Cash	FY 2004-05 Cash
High			
Clothing		(29.5)	
School Supplies (base)		(5.1)	
<u>Retail Books</u>		<u>(14.4)</u>	
Total		(49.0)	
Middle			
Clothing		(26.9)	
School Supplies (base)		(4.6)	
<u>Retail Books</u>		<u>(12.5)</u>	
Total		(44.0)	
Low			
Clothing		(24.2)	
School Supplies (base)		(4.2)	
<u>Retail Books</u>		<u>(10.4)</u>	
Total		(38.8)	

Consensus Estimate: Adopted: 03/ 21 / 03	FY 2003-04 Annualized	FY 2003-04 Cash	FY 2004-05 Cash
General Revenue		-38.7	
Solid Waste Management Trust Fund		-1	
Total State Impact		-38.8	
Revenue Sharing		-1.3	
Local Half Cent		-3.9	
Local Option		-2.6	
Total Local Impact		-7.8	
Total Impact		-46.6	

Nine-Day Sales Tax Holiday, July 27, 2003 - August 4, 2003

CLOTHING AND FOOTWEAR

	<u>Low</u>	<u>Medium</u>	<u>High</u>
National Expenditure on Apparel and Shoes	Low	Low	Low
Fl. share based on pop forecast of 03-04	19,989.0	19,989.0	19,989.0
Fl. Exp. on Apparel & Shoes (adjusted)	18,489.8	18,489.8	18,489.8
Est. Fl. Based Sales of Apparel & Shoes (mail ord. Adj.)	15,901.2	15,901.2	15,901.2
Sales Tax at 6%	954.1	954.1	954.1
Exempted Amount (55%, 60%, & 65%)	524.7	572.4	620.1
Prel. 9-day fiscal impact in Florida (\$ 50 limit)	\$ (12.94)	\$ (14.12)	\$ (15.29)
Seasonal factor for August	1.058692	1.058692	1.058692
The behavioral factor based on New York history	1.73	1.73	1.73
Adj. 9 day fiscal impact in Florida (\$ 50 limit)	\$ (23.7)	\$ (25.9)	\$ (28.0)
Backpacks (30%, 20%, 10% of Prek-12 + U Stu. (\$25))	\$ (0.5)	\$ (1.0)	\$ (1.5)
Total Impact	\$ (24.2)	\$ (26.9)	\$ (29.5)

Nine-Day Sales Tax Holiday, July 27, 2003 - August 4, 2003

SCHOOL SUPPLIES \$10 OR LESS

Grades	School Supplies BASE		
	Membership 2002-03	Projected 2003-04	Expends. (millions)
PreK	51,221	55,548 \$	0.7
KG	183,270	183,692 \$	2.2
1	186,438	194,855 \$	2.3
2	187,927	189,518 \$	2.3
3	192,711	194,780 \$	2.9
4	197,625	199,745 \$	3.0
5	197,061	200,227 \$	3.0
6	205,095	204,902 \$	4.3
7	206,774	210,473 \$	4.4
8	201,160	207,814 \$	4.4
9	249,878	257,794 \$	6.2
10	184,325	189,486 \$	4.5
11	158,509	162,625 \$	3.9
12	137,938	145,077 \$	3.5
Total	2,539,932	2,596,534 \$	47.6

Private school %	311,584 \$	5.6	(12% of Total membership) / K-3 = same % as Public Schools
Total Univ. + CC Enrollment	845,602 \$	20.3	(estimate - 1.3 factor for private higher ed / 1.053 factor is growth rate)
Total PreK-12 + U	\$	73.5	
Business Purchases (30%)	\$	22.1	

Impact (\$millions)	School Supplies BASE	Total
Sales Tax Impact (High - 85% Children + U Students)	-5.1	-5.1
Sales Tax Impact (Medium - 75% Children + U Students)	-4.6	-4.6
Sales Tax Impact (Low - 65% Children + U Students)	-4.2	-4.2

Assumptions	wo/Backpack Expenditure
Grades	
PreK	\$ 12.00
K-2	\$ 12.00
3	\$ 15.00
4-5	\$ 15.00
6-8	\$ 21.00
9-12	\$ 24.00
Univ. Students	\$ 24.00
Private	\$ 18.00

DEFINITIONS:
BASE School Supplies = pens, pencils, erasers, crayons, notebooks, notebook [filler] paper, legal pads, composition books, poster paper, scissors, cellophane tape, glue or paste, rulers, protractors, compasses, calculators

Grow by grade

	3rd calc FY 02-03	Mar 5 03 REC 03-04	Growth
PreK	17,685.78	19,179.68	108.4%
KG	182,985.86	183,407.52	100.2%
1	186,718.76	195,148.22	104.5%
2	188,568.66	190,164.93	100.8%
3	193,818.02	195,899.33	101.1%
4	197,249.55	199,365.15	101.1%
5	196,756.09	199,917.11	101.6%
6	204,522.23	204,329.40	99.9%
7	206,169.18	209,857.41	101.8%
8	200,633.85	207,270.05	103.3%
9	246,595.52	254,407.64	103.2%
10	181,611.63	186,696.20	102.8%
11	155,636.43	159,677.62	102.6%
12	134,338.50	141,290.89	105.2%

Mar 2003 estimate		
University # =	Fall 2002-03 Term, Rpt 2-A	
	258,874	
CC # =	Fall 200 EF2 Report (prelim)	
	358,850	
Growth CC	FY 01-02 actual =	211,781
Use FTE	FY 02-03 3/03 est =	225,941
from EEC	Growth =	106.7%
Growth Univ	FY 01-02 actual =	248,494
Use Hdcnt	FY 02-03 T1 Prelim =	258,874
from Fall 2A	Growth =	104.2%
Total Growth		105.3%

3/10/03 Info from Sandra Ulm, DOE:
Avg price PK-Grade 4 text (hardback) = \$16.04
(School Library Journal annual survey, 2002 issue)
Avg price "children & young adult" paperback = \$6.63

(School Library Journal annual survey, 2001 issue)
I-Can-Read book series = \$3.99

3/10/03 Info from Teach Me School Supplies store:
Range of sales prices for workbooks & books = \$2.99 to \$14.99
Books range from \$4.95 to 18\$
Spectrum (McGraw-Hill series popular w/ patrons) = \$8 to \$10

DATA FOR RETAIL BOOK EXEMPTION

MEASURES OF BOOK SALES FROM VARIOUS GOVERNMENT SOURCES (ALL DATA U.S.)	NIPA	Census		
	Consumer Spending Books & Maps	Retail Sales Book Stores	Census/ NIPA	CEX Spending on Reading
1997	26,300	12,755	48%	17,314
1998	28,200	13,390	47%	17,256
1999	30,800	14,541	47%	17,246
2000	33,200	15,420	46%	15,968
2001	35,100	16,747	48%	15,558
2002		17,006		
Averages	30,720	14,571	47%	16,668

March 19, 2003 conversation with Greg Key, Bureau of Economic Analysis:
 Books & Maps includes encyclopedias, textbooks, standardized tests (SAT, LSAT, ACT, etc.), workbooks, pamphlets, audio books, religious books (Bibles, etc.), CD ROM books (E-books), law books, etc. THIS IS A VERY WIDE CATEGORY.

US Stat Abstract Table 1111 - Quantity of Books Sold & Value of U.S. Domestic Consumer Expenditures: 1995-2001						Estimated 2002	Estimated 2003	Estimated 2004
	1998	1999	2000	2001	Ann. Growth			
TOTAL	\$ 28,786	\$ 30,027	\$ 32,050	\$ 31,880	103.5%	\$ 33,003	\$ 34,179	\$ 35,410
Trade	\$ 10,350	\$ 10,788	\$ 11,514	\$ 11,052	102.2%	\$ 11,296	\$ 11,546	\$ 11,802
Adult	\$ 7,791	\$ 8,142	\$ 8,691	\$ 8,448	102.7%	\$ 8,679	\$ 8,916	\$ 9,160
Juvenile	\$ 2,558	\$ 2,646	\$ 2,824	\$ 2,603	100.6%	\$ 2,618	\$ 2,633	\$ 2,649
Mass market paperbacks-rack sized	\$ 2,348	\$ 2,457	\$ 2,622	\$ 2,602	103.5%	\$ 2,693	\$ 2,786	\$ 2,883
Book clubs	\$ 1,176	\$ 1,233	\$ 1,316	\$ 1,369	105.2%	\$ 1,440	\$ 1,515	\$ 1,594
Mail order publications	\$ 487	\$ 553	\$ 590	\$ 551	104.2%	\$ 574	\$ 598	\$ 623
Religious	\$ 2,037	\$ 2,150	\$ 2,295	\$ 2,413	105.8%	\$ 2,553	\$ 2,701	\$ 2,858
Professional	\$ 4,751	\$ 4,959	\$ 5,293	\$ 4,870	100.8%	\$ 4,910	\$ 4,951	\$ 4,992
University press	\$ 455	\$ 474	\$ 506	\$ 497	103.0%	\$ 512	\$ 527	\$ 543
Elem-high text	\$ 3,216	\$ 3,294	\$ 3,516	\$ 3,798	105.7%	\$ 4,015	\$ 4,243	\$ 4,485
College text	\$ 3,365	\$ 3,483	\$ 3,718	\$ 4,020	106.1%	\$ 4,266	\$ 4,526	\$ 4,802
Subscription reference	\$ 603	\$ 636	\$ 679	\$ 706	105.4%	\$ 744	\$ 784	\$ 827
CHECK SUMS	\$ 28,788	\$ 30,027	\$ 32,049	\$ 31,878				

	1998	1999	2000	2001		\$50 LIMIT	\$50 LIMIT	\$50 LIMIT	NO \$ LIMIT	NO \$ LIMIT
PERCENTAGES						2003 est. INCLUDED	2003 est. Books K-3	2004 est. INCLUDED	2004 est. All books	
Trade	36.0%	35.9%	35.9%	34.7%	INCLUDED	\$ 11,546	23%	INCLUDED	\$ 11,802	
Adult	27.1%	27.1%	27.1%	26.5%	INCLUDED	\$ 8,916	Juv / Trade	INCLUDED	\$ 9,160	
Juvenile	8.9%	8.8%	8.8%	8.2%	INCLUDED	\$ 2,633	\$ 2,633	INCLUDED	\$ 2,649	
Mass market paperbacks-rack sized	8.2%	8.2%	8.2%	8.2%	INCLUDED	\$ 2,786	\$ 636	INCLUDED	\$ 2,883	
Book clubs	4.1%	4.1%	4.1%	4.3%	out	\$ -		out	\$ -	
Mail order publications	1.7%	1.8%	1.8%	1.7%	out	\$ -		out	\$ -	
Religious	7.1%	7.2%	7.2%	7.6%	INCLUDED	\$ 2,701	\$ 616	INCLUDED	\$ 2,858	
Professional	16.5%	16.5%	16.5%	15.3%	out	\$ -		INCLUDED	\$ 4,992	
University press	1.6%	1.6%	1.6%	1.6%	out	\$ -		INCLUDED	\$ 543	
Elem-high text	11.2%	11.0%	11.0%	11.9%	out	\$ -		INCLUDED	\$ 4,485	
College text	11.7%	11.6%	11.6%	12.6%	out	\$ -		INCLUDED	\$ 4,802	
Subscription reference	2.1%	2.1%	2.1%	2.2%	out	\$ -		out	\$ -	
CHECK SUMS	100.0%	100.0%	100.0%	100.0%		\$ 17,034	\$ 1,252		\$ 32,366	

RETAIL BOOKS ONE MONTH NO PRICE LIMIT (All) using Table 1111, U.S. Statistical Abstract

	Low	Medium	High
Total Value U.S. Domestic Consumer Expenditures on Books, 2004 estimate	32,366.2	32,366.2	32,366.2
Fl. share based on pop forecast of 03-04	1,903.2	1,903.2	1,903.2
Est. Fl. Based Sales of BOOKS (mail ord. Adj.)	1,636.8	1,636.8	1,636.8
Sales Tax at 6%	98.2	98.2	98.2
Exempted Amount (unlimited price) - 0% EXEMPTION	98.2	98.2	98.2
Prel. 31-day fiscal impact in Florida (NO \$ limit)	\$ (8.34)	\$ (8.34)	\$ (8.34)
Seasonal factor for MAY - Not applicable to books	1	1	1
The behavioral factor based on New York history - CONF. suggested 1.5	1.25	1.50	1.73
Adj. 31-day fiscal impact in Florida (\$ 50 limit)	\$ (10.4)	\$ (12.5)	\$ (14.4)
Total Impact	\$ (10.4)	\$ (12.5)	\$ (14.4)