

TAX: Sales & Use Tax

ISSUE: Sales Tax Holiday for Clothing sold for \$100 or less and School Supplies sold for \$10 or less

BILL NUMBER(S): SB 244

SPONSOR(S): Sen. Cowin

MONTH/YEAR COLLECTION IMPACT BEGINS: Upon becoming law

DATE OF ANALYSIS: January 30, 2004

SECTION 1: NARRATIVE

a. Current Law:

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

b. Proposed Change:

During the period from July 25, 2004 through August 2, 2004, purchases of clothing, retail books, 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 \$100 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.” Retail books are not defined.

During the period from July 25, 2004 through August 2, 2004, purchases of school supplies including pens, pencils, erasers, crayons, notebooks, notebook filler paper, legal pads, composition books, poster paper, scissors, tape, glue or paste, rulers, computer disks, protractors, compasses and calculators will be exempted from paying sales tax as long as these items sell for \$10 or less.

SECTION 2: DESCRIPTION OF DATA & SOURCES

Clothing & Shoes: Global Insight January 2004 CONTROL forecast of NIPA Clothing & Shoes.

Retail Books: Statistical Abstract of the United State: 2002, Table 1111 (Quantity of Books Sold & Value of U.S. Domestic Consumer Expenditures: 1995 to 2001 from Book Industry Study Group) and Retail Sales data from U.S. Department of Commerce, Bureau of Census. Book Industry Study Group updates for 2002 and Trend forecast for 2004.

School membership information (Fall 2003) from DOE and December 19, 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 2002 to Fall 2003. DOE Statistical Brief “Florida’s Nonpublic Schools, 2002-03.”

SECTION 3: ASSUMPTIONS & RATIONALE

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

SECTION 4: METHODOLOGY

See attached sheets.

SECTION 5: IMPACT SUMMARY (DETAILS ATTACHED)

State Impact—All Funds	FY 2004-05 Annualized	FY 2004-05 Cash	FY 2005-06 Cash
High - TOTAL	(\$ 49.5)	(\$ 49.5)	NA
Clothing & Shoes	(\$ 39.8)	(\$ 39.8)	
Retail Books	(\$ 4.5)	(\$ 4.5)	
School Supplies	(\$ 5.2)	(\$ 5.2)	
Middle - TOTAL	(\$ 45.8)	(\$ 45.8)	NA
Clothing & Shoes	(\$ 37.2)	(\$ 37.2)	
Retail Books	(\$ 3.8)	(\$ 3.8)	
School Supplies	(\$ 4.8)	(\$ 4.8)	

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Low - TOTAL	(\$ 41.9)	(\$ 41.9)	NA
Clothing & Shoes	(\$ 34.6)	(\$ 34.6)	
Retail Books	(\$ 3.0)	(\$ 3.0)	
School Supplies	(\$ 4.3)	(\$ 4.3)	

Consensus Estimate: Adopted: 1/30/04	FY 2004-05 Annualized	FY 2004-05 Cash	FY 2005-06 Cash
General Revenue		(40.3)	
State Trust		(.1)	
Total State Impact		(40.4)	
Rev. Sharing		(1.5)	
Local Half Cent		(3.9)	
Local Option		(2.6)	
Total Local Impact		(8.0)	
Total Impact	0	(48.4)	0

1. CLOTHING AND SHOES SELLING FOR \$100 OR LESS

	<u>Low</u>	<u>Medium</u>	<u>High</u>
National Pers. Expenditure on Clothing and Shoes	330,000.0	330,000.0	330,000.0
Fl. share based on pop forecast of 04/05 (Q3 04)	19,660.2	19,660.2	19,660.2
Fl. Exp. on Apparel & Shoes (adjusted)	18,185.7	18,185.7	18,185.7
Est. Fl. Based Sales of Apparel & Shoes (mail ord. Adj.)	15,639.7	15,639.7	15,639.7
Sales Tax at 6%	938.4	938.4	938.4
Exempted Amount (85%, 90%, & 95%)	797.6	844.5	891.5
Prel. 9-day fiscal impact in Florida (\$ 100 limit)	(19.67)	(20.82)	(21.98)
Seasonal factor set to 1 (no seasonal factor)		1	1
The behavioral factor based on New York history	1.73	1.73	1.73
Adj. 9 day fiscal impact in Florida (\$ 100 limit)	\$ (34.0)	\$ (36.0)	\$ (38.1)
Backpacks (30%, 20%, 10% of Prek-12 + U Stu. (\$25))	\$ (0.6)	\$ (1.2)	\$ (1.7)
Total Impact	\$ (34.6)	\$ (37.2)	\$ (39.8)

2. RETAIL BOOKS SELLING FOR \$100 OR LESS

	<u>Low</u>	<u>Medium</u>	<u>High</u>
Total Value U.S. Domestic Consumer Expenditures on Books, 2004 estimate	34,999.3	34,999.3	34,999.3
Fl. share based on pop forecast of 04-05 (Oct 03 ECs / Q3 04 for July-Aug)	2,085.1	2,085.1	2,085.1
Per capita for Florida	117.1	117.1	117.1
Est. Fl. Based Sales of BOOKS (mail ord. Adj.)	1,793.2	1,793.2	1,793.2
Sales Tax at 6%	107.6	107.6	107.6
Exempted Amount (90%, 95%, 97%) - Book \$100 or less	96.8	102.2	104.4
Prel. NINE-DAY fiscal impact in Florida (\$100 limit)	(2.39)	(2.52)	(2.57)
Seasonal factor - not applicable to books			
The behavioral factor based on New York history - 2003 CONF. suggested 1.5	1.25	1.50	1.73
Adj. NINE-DAY fiscal impact in Florida	\$ (3.0)	\$ (3.8)	\$ (4.5)
Total Impact	\$ (3.0)	\$ (3.8)	\$ (4.5)

3. SCHOOL SUPPLIES INCLUDING COMPUTER DISKS FOR K-3RD GRADE \$10 OR LESS

Grades	Membership	Projected	School Supplies	Computer Disks \$10
	2003-04	2004-05	BASE Exp. (millions)	or less
PreK	49,432	50,678	0.6	0.0
KG	191,956	196,088	2.4	0.0
	194,830	202,721	2.4	0.0
2	189,154	196,785	2.4	0.0
3	211,177	211,374	3.2	0.0
4	179,264	199,519	3.0	0.2
5	200,120	180,706	2.7	0.2
6	207,354	209,361	4.4	0.2
7	210,486	212,345	4.5	0.2
8	206,642	210,405	4.4	0.2
9	254,697	261,118	6.3	0.3
10	192,445	197,510	4.7	0.2
11	165,697	173,749	4.2	0.2
12	144,977	152,505	3.7	0.2
Total	2,598,231	2,654,865	48.7	8
	Fall 2003			
Private school %		343,540	6.2	0.3
Total Univ. + CC Enrollment		875,315	21.0	1.8
Total PreK-12 + U		3,873,719	75.9	3.9
Business Purchases			19.0	(25% Factor)

Impact (\$millions)	School Supplies	Computer Disks	TOTAL, Base+Disks
Sales Tax Impact (High - 85% Children + U Students)	-5.0	-0.2	-5.2
Sales Tax Impact (Medium - 75% Children + U Students)	-4.6	-0.2	-4.8
Sales Tax Impact (Low - 65% Children + U Students)	-4.1	-0.2	-4.3

Assumptions	wo/Backpack Expenditure	Computer Disks for 6-8, 9-12, Univ, Private
Grades		
PreK	\$ 12.00	\$ -
K-2	\$ 12.00	\$ -
3	\$ 15.00	\$ -
4-5	\$ 15.00	\$ 1.00
6-8	\$ 21.00	\$ 1.00
9-12	\$ 24.00	\$ 1.00
Univ. Students	\$ 24.00	\$ 2.00
Private	\$ 18.00	\$ 1.00

DEFINITIONS:
 BASE School Supplies = pens, pencils, erasers, crayons, notebooks, notebook filler paper, legal pads, composition books, poster paper, scissors, tape, glue or paste, rulers, protractors, compasses, calculators
 NEW 2004 computer discs

NEW

Received 1/27/04 - from Book Industry Study Group website / Presentation given by Jeff Abraham at BEA on May 31, 2003

Domestic Consumer Expenditures - NEW DATA FROM BOOK INDUSTRY STUDY GROUP

\$ in Millions

	2000	2001	2002	2003	2004	Use highest growth Est 2005	Est 2006	Growth, 2002/2001	Growth, 2003/2002	Growth, 2004/2003	July-Aug 2004 No limit	May 2005 No limit	July-Aug 21 No limit	May 2005 No limit
TOTAL	32,051.1	31,879.9	36,569.1	37,577.9	38,799.7	40,085.2	41,437.3	114.7%	102.8%	103.3%				
Trade	11,514.4	11,051.6	12,153.7	12,449.0	12,761.5	13,081.8	13,410.2	110.0%	102.4%	102.5%	INCLUDED	INCLUDED	\$ 12,762	\$ 13,082
Adult	NA	NA	NA	NA	NA	NA	NA				INCLUDED	INCLUDED	NA	NA
Juvenile	NA	NA	NA	NA	NA	NA	NA				INCLUDED	INCLUDED	NA	NA
Mass market paperbacks-rack sized	2,622.2	2,602.0	2,929.7	2,956.0	3,002.8	3,050.3	3,098.6	112.6%	100.9%	101.6%	INCLUDED	INCLUDED	\$ 3,003	\$ 3,050
Bookclubs	1,316.2	1,368.9	2,341.8	2,427.7	2,498.1	2,570.5	2,645.1	171.1%	103.7%	102.9%	out	out	\$ -	\$ -
Mail order publications	590.3	551.4	399.5	322.7	280.4	243.6	211.7	72.5%	80.8%	86.9%	out	out	\$ -	\$ -
Religious	2,295.4	2,413.4	2,304.6	2,374.6	2,434.2	2,495.3	2,557.9	95.5%	103.0%	102.5%	INCLUDED	INCLUDED	\$ 2,434	\$ 2,495
Professional	5,292.7	4,869.9	5,767.2	5,861.2	6,008.3	6,159.1	6,313.7	118.4%	101.6%	102.5%	INCLUDED	INCLUDED	\$ 6,008	\$ 6,159
University press	507.1	499.4	523.5	540.3	555.9	572.0	588.5	104.8%	103.2%	102.9%	INCLUDED	INCLUDED	\$ 556	\$ 572
Elem-high text	3,516.3	3,797.6	4,478.0	4,522.8	4,681.1	4,844.9	5,014.5	117.9%	101.0%	103.5%	INCLUDED	INCLUDED	\$ 4,681	\$ 4,845
College text	3,717.8	4,019.8	4,705.7	5,127.8	5,555.5	6,018.9	6,520.9	117.1%	109.0%	108.3%	INCLUDED	INCLUDED	\$ 5,556	\$ 6,019
Subscription reference	678.7	705.9	965.4	995.8	1,021.9	1,048.7	1,076.2	136.8%	103.1%	102.6%	out	out	\$ -	\$ -
CHECK SUMS	32,051.1	31,879.9	36,569.1	37,577.9	38,799.7	40,085.2	41,437.3							

OLD

US Stat Abstract Table 1111 - Quantity of Books Sold & Value of U.S. Domestic Consumer Expenditures: 1995-2001

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	1998	1999	2000	2001	Ann. Growth	Estimated 2002	Estimated 2003	Estimated 2004
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%	\$ 11,298	\$ 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
Bookclubs	\$ 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 2003 est. INCLUDED	2003 est. Books K-3	2004 est. INCLUDED	NO \$ LIMIT 2004 est. All books
PERCENTAGES									
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
Bookclubs	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