

**TAX: Sales & Use Tax**

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

**BILL NUMBER(S): SB 1566**

**SPONSOR(S): Sen. Webster**

**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 24, 2004 through August 1, 2004, purchases of clothing, 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 the period from July 24, 2004 through August 1, 2004, 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 and calculators will be exempted from paying sales tax as long as these items sell for \$10 or less.

During the period from May 1, 2005 through May 31, 2005, purchases of books will be exempt from paying sales tax. Books are defined as “a set of printed sheets bound together and published in a volume.” Newspapers, magazines or other periodicals are specifically excluded from the definition of “book.”

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

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

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
<b>High - TOTAL</b>	<b>(\$ 49.3)</b>	<b>(\$ 49.3)</b>	NA
Clothing & Shoes	(\$ 27.8)	(\$ 27.8)	
Books	(\$ 16.5)	(\$ 16.5)	
School Supplies	(\$ 5.0)	(\$ 5.0)	
<b>Middle - TOTAL</b>	<b>(\$ 44.1)</b>	<b>(\$ 44.1)</b>	NA
Clothing & Shoes	(\$ 25.2)	(\$ 25.2)	

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Books	(\$ 14.3)	(\$ 14.3)	
School Supplies	(\$ 4.6)	(\$ 4.6)	
<b>Low - TOTAL</b>	<b>(\$ 38.6)</b>	<b>(\$ 38.6)</b>	NA
Clothing & Shoes	(\$ 22.6)	(\$ 22.6)	
Books	(\$ 11.9)	(\$ 11.9)	
School Supplies	(\$ 4.1)	(\$ 4.1)	

Consensus Estimate: Adopted: 1/30/04	FY 2004-05 Annualized	FY 2004-05 Cash	FY 2005-06 Cash
General Revenue		(38.8)	
State Trust		(0.1)	
Total State Impact		(38.9)	
Rev. Sharing		(1.4)	
Local Half Cent		(3.8)	
Local Option		(2.5)	
Total Local Impact		(7.7)	
Total Impact	0	(46.6)	0

**1. CLOTHING AND SHOES SELLING FOR \$50 OR LESS**

	<u>Low</u>	<u>Medium</u>	<u>High</u>
National Expenditure on Apparel and Shoes	330,000.0	330,000.0	330,000.0
Global Crossing Jan 04 CONTROL			
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 (55%, 60%, & 65%)	516.1	563.0	609.9
Prel. 9-day fiscal impact in Florida (\$ 50 limit)	(12.73)	(13.88)	(15.04)
The behavioral factor based on New York history			1
The behavioral factor based on New York history	1.73	1.73	.73
Adj. 9 day fiscal impact in Florida (\$ 50 limit)	(22.0)	(24.0)	\$ (26.0)
Backpacks (30%, 20%, 10% of Prek-12 + U Stu. (\$25))	\$ (0.6)	\$ (1.2)	\$ (1.7)
<b>Total Impact</b>	<b>\$ (22.6)</b>	<b>\$ (25.2)</b>	<b>\$ (27.8)</b>

2. BOOKS (NO LIMIT)

	<u>Low</u>	<u>Medium</u>	<u>High</u>
Total Value U.S. Domestic Consumer Expenditures on Books, 2005 estimate	36,222.3	36,222.3	36,222.3
Fl. share based on pop forecast of 04-05 (Oct 03 ECs / Q2 05 for May)	2,175.5	2,175.5	2,175.5
Est. Fl. Based Sales of BOOKS (mail ord. Adj.)	1,870.9	1,870.9	1,870.9
Sales Tax at 6%	112.3	112.3	12.3
Exempted Amount - NONE	112.3	112.3	112.3
Prel. 31-day fiscal impact in Florida (NO \$ limit)	(9.53)	(9.53)	(9.53)
Seasonal factor for MAY - Not applicable to books	1	1	
The behavioral factor based on New York history - 2003 CONF. suggested 1.5	1.25	50	1.73
Adj. 31-day fiscal impact in Florida (no \$ limit)	\$ (11.9)	\$ (14.3)	\$ (16.5)
<b>Total Impact</b>	<b>\$ (11.9)</b>	<b>\$ (14.3)</b>	<b>\$ (16.5)</b>

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

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

(25% Factor)

Impact (\$millions)	School Supplies BASE
Sales Tax Impact (High - 85% Children + U Students)	-5.0
Sales Tax Impact (Medium - 75% Children + U Students)	-4.6
Sales Tax Impact (Low - 65% Children + U Students)	-4.1

Grades	Assumptions	wo/Backpack Expenditure
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