

REVENUE ESTIMATING CONFERENCE

TAX: Sales and Use Tax

ISSUE: Sales Tax Holiday from July 23, 2005 through July 31, 2005 on Clothing with a sales price of \$50 or less and on School Supplies (not including computer disks) with a sales price of \$10 or less. Sales Tax Holiday on Books from May 1, 2006 through May 31, 2006.

BILL NUMBER(S): SB358 and SB 476 as filed.

SPONSOR(S): Senator Baker (SB 358); Senator Webster (SB 476)

MONTH/YEAR COLLECTION IMPACT BEGINS: August 2005

DATE OF ANALYSIS: January 31, 2005

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 period July 23, 2005 through July 31, 2005, 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.” Also during this same period, 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 May 1, 2006 through May 31, 2006, purchases of **books** are exempt from paying sales tax. **No dollar limit** is established. Book is defined as “a set of printed sheets bound together and published in a volume.” The term “book” does not include “newspapers, magazines, or other periodicals.”

SECTION 2: DESCRIPTION OF DATA AND SOURCES

Clothing & Shoes: Global Insight January 2005 CONTROL forecast of NIPA Clothing & Shoes.

Retail Books: Statistical Abstract of the United State: 2004-05, Table 1128 (Quantity of Books Sold & Value of U.S. Domestic Consumer Expenditures: 2000 to 2004 from Book Industry Study Group) and Retail Sales data from U.S. Department of Commerce, Bureau of Census.

School membership information (Fall 2004) from DOE and December 10, 2004 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 2003 to Fall 2004. DOE Statistical Brief “Florida’s Nonpublic Schools, 2003-04.”

SECTION 3: METHODOLOGY (INCLUDE ASSUMPTIONS AND ATTACH DETAILS)

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

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SECTION 4: PROPOSED FISCAL IMPACT

State Impact—All Funds	FY 2005-06 Annualized	FY 2005-06 Cash	FY 2006-07 Cash
High			
Clothing <= \$50 nine days	-0-	(\$29.0 M)	-0-
School Supplies w/out computer disks <= \$10 nine days	-0-	(\$ 5.3 M)	-0-
All Books, month of May	-0-	(\$18.7 M)	-0-
TOTAL IMPACT	-0-	(\$53.0 M)	-0-
Middle			
Clothing <= \$50 nine days	-0-	(\$26.2 M)	-0-
School Supplies w/out computer disks <= \$10 nine days	-0-	(\$ 4.9 M)	-0-
All Books, month of May	-0-	(\$16.2 M)	-0-
TOTAL IMPACT	-0-	(\$47.3 M)	-0-
Low			
Clothing <= \$50 nine days	-0-	(\$23.5 M)	-0-
School Supplies w/out computer disks <= \$10 nine days	-0-	(\$ 4.4 M)	-0-
All Books, month of May	-0-	(\$13.5 M)	-0-
TOTAL IMPACT	-0-	(\$41.4 M)	-0-

SECTION 5: CONSENSUS ESTIMATE (ADOPTED 2 / 4 / 05) The conference adopted the middle estimate.

	FY 2005-06 Annualized	FY 2005-06 Cash	FY 2006-07 Cash
General Revenue		(42.1)	
State Trust		(.1)	
Total State Impact		(42.2)	
Revenue Sharing		(1.4)	
Local Gov't Half Cent		(3.7)	
Local Option		(3.7)	
Total Local Impact		(8.8)	
Total Impact		(51.0)	

Sales Tax Holiday Impact - Clothing <= \$50 for Nine Days

2005-06

	Low	Medium	High
National Expenditure on Apparel and Shoes	337,700.0	337,700.0	337,700.0
Fl. share based on pop forecast of 04/05 (Q3 04)	20,467.7	20,467.7	20,467.7
Fl. Exp. on Apparel & Shoes (adjusted)	18,932.7	18,932.7	18,932.7
Est. Fl. Based Sales of Apparel & Shoes (mail ord. Adj.)	16,282.1	16,282.1	16,282.1
Sales Tax at 6%	976.9	976.9	976.9
Exempted Amount (55%, 60%, & 65%)	537.3	586.2	635.0
Prel. 9-day fiscal impact in Florida (\$ 50 limit)	\$ (13.2)	\$ (14.5)	\$ (15.7)
Seasonal factor set to 1 (no seasonal factor)	1	1	1
The behavioral factor based on New York history	1.73	1.73	1.73
Adj. 9 day fiscal impact in Florida (\$ 50 limit)	\$ (22.9)	\$ (25.0)	\$ (27.1)
Backpacks (30%, 20%, 10% of Prek-12 + U Stu. (\$25))	\$ (0.6)	\$ (1.2)	\$ (1.8)
Total Impact	\$ (23.5)	\$ (26.2)	\$ (29.0)

NOTES:

Source: Frank 2005 Clothes & Books.xls
Global Insight Jan 05 CONTROL fcst NIPA

Factor 3.7/4 due to higher % senior pop.

NY study: Adjusted by 14% due to mail order losses

Source: per Frank Williams, seasonal factor not applicable

NY study

Pre-K thru 12 + CC + SUS + privates all levels enrollment
4,103,297 linked

Nine-Day Sales Tax Holiday

SCHOOL SUPPLIES (INCLUDING COMPUTER DISCS) FOR \$10 OR LESS

Grades	Membership	Projected	School Supplies BASE Exp.	Computer disks
	2004-05	2005-06	(millions)	
PreK	47,902	52,544	0.6	0.0
KG	197,053	208,956	2.5	0.0
1	201,447	208,785	2.5	0.0
2	195,269	202,862	2.4	0.0
3	206,618	213,977	3.2	0.0
4	197,218	194,105	2.9	0.2
5	184,007	202,998	3.0	0.2
6	208,123	192,577	4.0	0.2
7	209,761	213,460	4.5	0.2
8	209,458	210,058	4.4	0.2
9	250,174	261,669	6.3	0.3
10	202,392	197,092	4.7	0.2
11	178,968	182,588	4.4	0.2
12	149,737	161,986	3.9	0.2
Total	2,638,127	2,703,655	49.5	1.8
	Fall 2004	Growth based on 12/04 REC		
Private school %		345,797	6.2	0.3
Total Univ. + CC Enrollment		1,053,845	25.3	2.1
Total PreK-12 + U		4,103,297	81.0	4.3

Grow by grade			
	Dec 10 04	Dec 10 04	
	3rd Calc 04-05	REC 05-06	Growth
PreK	18,439.50	20,226.36	109.7%
KG	196,824.75	208,713.74	106.0%
1	201,981.21	209,338.92	103.6%
2	196,370.75	204,006.69	103.9%
3	208,542.61	215,969.66	103.6%
4	198,357.27	195,226.02	98.4%
5	184,990.67	204,083.02	110.3%
6	209,966.88	194,283.53	92.5%
7	211,662.30	215,394.40	101.8%
8	211,362.06	211,967.49	100.3%
9	247,916.05	259,307.22	104.6%
10	199,983.36	194,745.96	97.4%
11	176,069.62	179,631.03	102.0%
12	146,287.97	158,254.39	108.2%
	2,608,755.00	2,671,148.43	
		1.023916937	

Business Purchases (25% Factor) 21.3

Impact (\$millions)	School Supplies BASE	Computer Disks
Sales Tax Impact (High - 85% Children + U Students)	-5.3	-0.2
Sales Tax Impact (Medium - 75% Children + U Students)	-4.9	-0.2
Sales Tax Impact (Low - 65% Children + U Students)	-4.4	-0.2

Assumptions	wo/Backpack Expenditure	w/Backpack Expenditure
PreK	\$ 12.00	\$ 20.00
K-2	\$ 12.00	\$ 20.00
3	\$ 15.00	\$ 25.00
4-5	\$ 15.00	\$ 25.00
6-8	\$ 21.00	\$ 35.00
9-12	\$ 24.00	\$ 40.00
Univ. Students	\$ 24.00	\$ 40.00
Private	\$ 18.00	\$ 30.00

DEFINITIONS:	
BASE School Supplies =	pens, pencils, erasers, crayons, notebooks, notebook filler paper,
Bill text from Gov's Offc	legal pads, composition books, poster paper, scissors, cellophane tape, glue or paste, rulers, protractors, compasses, calculators
Bill text from Gov's Offc	computer disks
SB 358 as filed	Base only, no computer disks
SB 476 as filed	Base only, no computer disks
HB 101 as filed	Base and computer disks

Jan 2005 estimate		
University # =	Fall 2004-05 Term 1, Rpt 2 Prelim	
	271,370	
CC # =	Fall 2004 Report (beginning of term)	
EDR est	517,200	System Level Hdcnt
Growth CC	Fall 03 EOT actual =	500,456
Use Hdcnt	FY 04 BOT =	419,772
from Fall 2	Growth =	83.9%
Growth Univ	FY 03-04 actual =	266,443
Use Hdcnt	FY 04-05 T1 Prelim =	271,370
from Fall 2	Growth =	101.8%
Set Fall 04 EOT = Fall 03 EOT; grow by Fall 02 EOT to Fall 03 EOT		
Total Growth		517,200
		114.9%

RETAIL BOOKS ONE MONTH NO PRICE LIMIT (All) using Stat Abstract and Book Industry Study Group estimates for 2004

	<u>Low</u>	<u>Medium</u>	<u>High</u>
Total Value U.S. Domestic Consumer Expenditures on Books, 2006 estimate	40,431.0	40,431.0	40,431.0
Fl. share based on pop forecast of 04-05 (Oct 03 ECs / Q2 05 for May)	2,470.9	2,470.9	2,470.9
Est. Fl. Based Sales of BOOKS (mail ord. Adj.)	2,125.0	2,125.0	2,125.0
Sales Tax at 6%	127.5	127.5	127.5
Exempted Amount - NONE	127.5	127.5	127.5
Prel. 31-day fiscal impact in Florida (NO \$ limit)	\$ (10.83)	\$ (10.83)	\$ (10.83)
Seasonal factor for MAY - Not applicable to books	1	1	1
The behavioral factor based on New York history - 2003 CONF. suggested 1.5	1.25	1.50	1.73
Adj. 31-day fiscal impact in Florida (no \$ limit)	\$ (13.5)	\$ (16.2)	\$ (18.7)
Total Impact	\$ (13.5)	\$ (16.2)	\$ (18.7)

Book Sales Data

US Stat Abstract Table 1128 - Quantity of Books Sold & Value of U.S. Domestic Consumer Expenditures: 1998-2004											
\$ in Millions	2003 Stat Abstr	2003 Stat Abstr	2004-5 Stat Ab	2004-5 Stat Ab	2004-5 Stat Ab	2004-5 Stat Ab	Bk Ind. Study Grp.	Avg Growth Rate by category, 00-03	Estimated	Estimated	
	1998	1999	2000	2001	2002	2003	2004		2005	2005 INCLUDED	
TOTAL	\$ 30,423	\$ 33,605	\$ 36,136	\$ 36,060	\$ 36,796	\$ 37,908	\$ 38,999	101.6%	\$ 39,720	\$ 36,177	
Trade	\$ 10,350	\$ 11,921	\$ 11,583	\$ 11,277	\$ 11,496	\$ 11,786	\$ 12,284	100.6%	\$ 12,359	\$ 12,359	
Adult	\$ 7,791	\$ 8,882	\$ 8,124	\$ 8,062	\$ 8,288	\$ 8,401	\$ 8,540	101.1%	\$ 8,637	\$ 8,637	
Juvenile	\$ 2,558	\$ 3,038	\$ 3,459	\$ 3,215	\$ 3,208	\$ 3,386	\$ 3,745	99.4%	\$ 3,723	\$ 3,723	
Mass market paperbacks-rack sized	\$ 2,348	\$ 2,518	\$ 2,935	\$ 2,911	\$ 2,967	\$ 2,998	\$ 3,052	100.7%	\$ 3,074	\$ 3,074	
Bookclubs	\$ 1,935	\$ 2,036	\$ 1,753	\$ 1,795	\$ 1,800	\$ 1,843	\$ 1,904	101.7%	\$ 1,936	\$ -	
Mail order publications	\$ 487	\$ 495	\$ 577	\$ 491	\$ 510	\$ 531	\$ 531	97.7%	\$ 519	\$ -	
Religious	\$ 2,037	\$ 2,221	\$ 2,783	\$ 2,913	\$ 2,970	\$ 3,208	\$ 3,260	104.9%	\$ 3,419	\$ 3,419	
Professional	\$ 4,751	\$ 5,297	\$ 6,340	\$ 5,858	\$ 6,104	\$ 6,295	\$ 6,446	99.9%	\$ 6,440	\$ 6,440	
University press	\$ 485	\$ 531	\$ 541	\$ 533	\$ 534	\$ 539	\$ 560	99.9%	\$ 559	\$ 559	
Elem-high text	\$ 3,736	\$ 3,859	\$ 4,373	\$ 4,714	\$ 4,497	\$ 4,568	\$ 4,698	101.6%	\$ 4,773	\$ 4,773	
College text	\$ 3,365	\$ 3,773	\$ 4,265	\$ 4,571	\$ 4,899	\$ 5,086	\$ 5,236	106.1%	\$ 5,553	\$ 5,553	
Subscription reference	\$ 929	\$ 955	\$ 986	\$ 999	\$ 1,020	\$ 1,045	\$ 1,067	102.0%	\$ 1,088	\$ -	
									INCLUDED BOOKS as % of ALL BOOKS 91%		
PERCENTAGES	1998	1999	2000	2001	2002	2003	2004		2005	INCLUDED IN BILL DEFINITION?	
Trade	34.0%	35.5%	32.1%	31.3%	31.2%	31.1%	31.5%		31.1%	INCLUDED	
Adult	25.6%	26.4%	22.5%	22.4%	22.5%	22.2%	21.9%		21.7%	INCLUDED	
Juvenile	8.4%	9.0%	9.6%	8.9%	8.7%	8.9%	9.6%		9.4%	INCLUDED	
Mass market paperbacks-rack sized	7.7%	7.5%	8.1%	8.1%	8.1%	7.9%	7.8%		7.7%	INCLUDED	
Bookclubs	6.4%	6.1%	4.9%	5.0%	4.9%	4.9%	4.9%		4.9%	out	
Mail order publications	1.6%	1.5%	1.6%	1.4%	1.4%	1.4%	1.4%		1.3%	out	
Religious	6.7%	6.6%	7.7%	8.1%	8.1%	8.5%	8.4%		8.6%	INCLUDED	
Professional	15.6%	15.8%	17.5%	16.2%	16.6%	16.6%	16.5%		16.2%	INCLUDED	
University press	1.6%	1.6%	1.5%	1.5%	1.5%	1.4%	1.4%		1.4%	INCLUDED	
Elem-high text	12.3%	11.5%	12.1%	13.1%	12.2%	12.1%	12.0%		12.0%	INCLUDED	
College text	11.1%	11.2%	11.8%	12.7%	13.3%	13.4%	13.4%		14.0%	INCLUDED	
Subscription reference	3.1%	2.8%	2.7%	2.8%	2.8%	2.8%	2.7%		2.7%	out	