

REVENUE ESTIMATING CONFERENCE

TAX: Sales and Use Tax

ISSUE: Sales Tax Holiday on Clothing, Shoes and Books selling for \$50 or less and School Supplies selling for \$10 or less, August 2-12, 2008

BILL NUMBER(S): SB 2094

SPONSOR(S): Senator Webster

MONTH/YEAR COLLECTION IMPACT BEGINS: August 2008

DATE OF ANALYSIS: February 29, 2008

SECTION 1: NARRATIVE

a. Proposed Change:

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

b. Proposed Change:

During the 11-day period from 12:01 a.m. August 2, 2008, through midnight August 12, 2008, purchases of **books, 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.” 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.”

Also during this same period, purchases of **school supplies including pens, pencils, erasers, crayons, notebooks, notebook filler paper, legal pads, binders, composition books, poster paper, scissors, cellophane 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**. This list matches the list of exempted items in the FY 2007-08 Sales Tax Holiday.

The bill provides an **appropriation of \$224,110 General Revenue** to the Department of Revenue to administer these provisions.

SECTION 2: DESCRIPTION OF DATA AND SOURCES

Global Insight CONTROL forecast for Clothing & Books, February 2008 National Economic Estimating Conference.

U.S. and Florida populations under 65, 65 and over, and total from National Economic Estimating Conference February 2008 and Florida Economic Estimating Conference February 2008.

Statistical Abstract of the US, 2007.

Book Industry TRENDS 2007, Book Industry Study Group, Inc.

Public Schools Enrollment Estimating Conference FTE long-run forecast February 2008.

DOE K-12 Headcount Enrollment, Fall 2007.

IPEDS enrollment in higher education in Florida, all providers, 2005.

SECTION 3: METHODOLOGY (INCLUDE ASSUMPTIONS AND ATTACH DETAILS)

See attached sheets for detailed methodology.

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SECTION 4: PROPOSED FISCAL IMPACT

State Impact—All Funds	FY 2008-09 Annualized	FY 2008-09 Cash	FY 2009-10 Cash
High			
Clothing & Shoes <=\$50	-0-	(\$40.6 M)	-0-
Books <=\$50	-0-	(\$ 8.8 M)	-0-
School Supplies FY 07-08	-0-	(\$ 5.6 M)	-0-
List \$10/item			
TOTAL HIGH	-0-	(\$55.0 M)	-0-
Middle			
Clothing & Shoes <=\$50	-0-	(\$37.1 M)	-0-
Books <=\$50	-0-	(\$ 7.2 M)	-0-
School Supplies FY 07-08	-0-	(\$ 5.3 M)	-0-
List \$10/item			
TOTAL MIDDLE	-0-	(\$49.6 M)	-0-
Low			
Clothing & Shoes <=\$50		(\$33.7 M)	
Books <=\$50		(\$ 5.7 M)	
School Supplies FY 07-08	-0-	(\$ 4.9 M)	-0-
List \$10/item	-0-		-0-
TOTAL LOW	-0-	(\$44.3 M)	-0-

State Impact—All Funds	FY 2010-11 Cash	FY 2011-12 Cash
High		
Clothing & Shoes <=\$50	-0-	-0-
Books <=\$50	-0-	-0-
School Supplies FY 07-08	-0-	-0-
List \$10/item		
TOTAL HIGH	-0-	-0-
Middle		
Clothing & Shoes <=\$50	-0-	-0-
Books <=\$50	-0-	-0-
School Supplies FY 07-08	-0-	-0-
List \$10/item		
TOTAL MIDDLE	-0-	-0-
Low		
Clothing & Shoes <=\$50		
Books <=\$50		
School Supplies FY 07-08	-0-	-0-
List \$10/item	-0-	-0-
TOTAL LOW	-0-	-0-

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SECTION 5: CONSENSUS ESTIMATE (ADOPTED 2 / 29 / 08) The conference adopted the middle estimate.

	FY 2008-09 Annualized	FY 2008-09 Cash	FY 2009-10 Cash
General Revenue		(43.8)	
State Trust		(.1)	
Total State Impact		(43.9)	
Revenue Sharing		(1.4)	
Local Gov't Half Cent		(4.2)	
Local Option		(4.2)	
Total Local Impact		(9.8)	
Total Impact	0	(53.7)	0

	FY 2010-11 Cash	FY 2011-12 Cash
General Revenue		
State Trust		
Total State Impact		
Revenue Sharing		
Local Gov't Half Cent		
Local Option		
Total Local Impact		
Total Impact	0	0

Sales Tax Holiday Impact
Clothing and Shoes \$50 or Less
11 Days in August 2008
SB 2094 as filed

2008-09

	<u>Low</u>	<u>Medium</u>	<u>High</u>
National Expenditure on Apparel and Shoes	382,600.0	382,600.0	382,600.0
Fl. share based on pop forecast of 04/05 (Q3 04)	23,670.7	23,670.7	23,670.7
Fl. Exp. on Apparel & Shoes (adjusted)	22,440.1	22,440.1	22,440.1
Est. Fl. Based Sales of Apparel & Shoes (mail ord. Adj.)	19,298.5	19,298.5	19,298.5
Sales Tax at 6%	1,157.9	1,157.9	1,157.9
Exempted Amount (55%, 60%, & 65%)	636.9	694.7	752.6
Prel. 11-day fiscal impact in Florida (\$ 50 limit)	\$ (19.2)	\$ (20.9)	\$ (22.7)
Seasonal factor set to 1 (no seasonal factor)	1.0	1.0	1.0
The behavioral factor based on New York history	1.7	1.7	1.7
Adj. 11 day fiscal impact in Florida (\$ 50 limit)	\$ (33.2)	\$ (36.2)	\$ (39.3)
Backpacks (30%, 20%, 10% of Prek-12 + U Stu. (\$25))	\$ (0.4)	\$ (0.9)	\$ (1.4)
Total Impact	\$ (33.7)	\$ (37.1)	\$ (40.6)

NOTES:

Source: Clothes & Shoes
Global Insight Feb 08 CONTROL fcst NIPA

US Pop = 13% 65+ / Fla Pop = 21% 65+

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

Seasonal factor not applicable

NY study

Pre-K thru 12 + CC + SUS + privates all levels enrollment
3,011,121 linked

**2008 SCHOOL SUPPLIES SALES TAX HOLIDAY
ELEVEN CONSECUTIVE DAYS Aug 2-12, 2008
SB 2094 AS FILED / SCHOOL SUPPLIES SAME LIST AS 2007 HOLIDAY
SALES PRICE \$10 OR LESS PER ITEM**

Backpack
NO

<u>Assumptions</u>	<u>w/Backpack</u>	<u>wo/Backpack</u>	<u>Computer Disks</u>
	<u>Expenditure</u>	<u>Expenditure</u>	<u>for 6-8, 9-12, HiEd</u>
Grades			
PreK	\$ 20.00	\$ 12.00	\$ -
K-2	\$ 20.00	\$ 12.00	\$ -
3	\$ 25.00	\$ 15.00	\$ -
4-5	\$ 25.00	\$ 15.00	\$ 1.00
6-8	\$ 35.00	\$ 21.00	\$ 1.00
9-12	\$ 40.00	\$ 24.00	\$ 1.00
Univ/CC/Priv. HiEd	\$ 40.00	\$ 24.00	\$ 2.00
Private K-12	\$ 30.00	\$ 18.00	\$ 1.00

K-12 Headcount estimate:
Begin with Fall 2007 actual public school headcount. Determine increment to add for private schools by using by-grade Private School Report FY 06-07 (DOE) compared to Fall 2006 by-grade public school headcount. Based on adjusted Fall 2007 total headcount, grow by FTE growth from Feb 2008 PSEEC for out years.

University/Higher Ed Headcount estimate:
Census 2005 % of pop enrolled in higher education in Florida, applied to the age-group forecast from Fla Demographic Fcst July 07.

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, computer disks, protractors, compasses, calculators	SB 2094 AS FILED
ADDITIONAL ITEMS =	NONE	BASE - FY 07-08

Students by Level	School Supplies + Computer Disks	
	FY 2008-09	FY 2008-09
		Includes Backpack? NO
PreK	105,083	1.3
KG	229,808	2.8
1	224,778	2.7
2	224,872	2.7
3	233,958	3.5
4	220,573	3.5
5	218,343	3.5
6	224,953	4.9
7	223,861	4.9
8	224,797	4.9
9	234,148	5.9
10	230,513	5.8
11	213,546	5.3
12	201,888	5.0
Total, Public PK-12	3,011,121	56.8
Private K-12 @ 13.1% overall in FY 2006-07; included by grade above.		
Total Univ/CC/Private HiEd	946,413	24.6
Total PreK-12 + HiEd	3,957,534	81.4

Advantage Buying by Business, General Public **25% Factor** 20.3

School Supplies \$10 limit Impact (\$M)	FY 2008-09			
Sales Tax Impact (High - 85% Children + U Students)	-5.6	0.0	0.0	0.0
Sales Tax Impact (Medium - 75% Children + U Students)	-5.3	0.0	0.0	0.0
Sales Tax Impact (Low - 65% Children + U Students)	-4.9	0.0	0.0	0.0

SALES TAX HOLIDAY BOOKS \$50 OR LESS, BEGINNING AUG 2, 2008 ENDING AUG 12, 2008
ONE-TIME ONLY
SB 2094 AS FILED
Feb 29 2008 estimate

One-time only

ELEVEN-DAY SALES TAX HOLIDAY, AUG 2 - 12, 2008 RETAIL BOOKS \$50	FY 2008-09		
	BASE		
	<u>Low</u>	<u>Medium</u>	<u>High</u>
Total Value U.S. Domestic Consumer Expenditures on Books, BSIG est. BISG = Book Industry Study Group	55,548.4	55,548.4	55,548.4
Fl. share based on pop forecast (Feb 07 DEC / Q3 for July)	3,436.7	3,436.7	3,436.7
Per capita for Florida	181.6	181.6	181.6
Est. Fl. Based Sales of BOOKS (mail ord. Adj.)	2,955.5	2,955.5	2,955.5
Sales Tax at 6%	177.3	177.3	177.3
Exempted Amount (85%, 90%, 95%) - Books \$50 or less	150.7	159.6	168.5
Prel. ELEVEN-DAY fiscal impact in Florida (\$50 limit)	\$ (4.54)	\$ (4.81)	\$ (5.08)
Seasonal factor - 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. ELEVEN-DAY fiscal impact in Florida	\$ (5.7)	\$ (7.2)	\$ (8.8)

Quantity of Books Sold & Value of U.S. Domestic Consumer Expenditures / Book Industry Study Group BOOK INDUSTRY TRENDS 2007 (\$M)							
Source	2007 Stat Ab	BISG estimate	BISG estimate	BISG estimate	BISG estimate	BISG estimate	BISG estimate
Year	2004	Est 2005*	Est 2006*	Proj 2007*	Proj 2008*	Proj 2009*	Proj 2010*
TOTAL	\$ 49,147	\$ 51,920	\$ 53,616	\$ 55,696	\$ 57,455	\$ 59,333	\$ 61,054
Trade	\$ 23,394	\$ 21,415	\$ 22,129	\$ 22,936	\$ 23,450	\$ 24,032	\$ 24,658
Adult	\$ 14,952	\$ 15,532	\$ 16,134	\$ 16,618	\$ 17,023	\$ 17,443	\$ 17,899
Juvenile	\$ 5,369	\$ 5,883	\$ 5,996	\$ 6,319	\$ 6,427	\$ 6,589	\$ 6,759
Mass market paperbacks-rack sized	\$ 3,073	\$ 3,156	\$ 3,242	\$ 3,371	\$ 3,480	\$ 3,586	\$ 3,685
Bookclubs	NA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Mail order publications	NA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Religious	\$ 4,104	\$ 4,437	\$ 4,685	\$ 4,919	\$ 5,169	\$ 5,416	\$ 5,674
Professional	\$ 10,275	\$ 10,680	\$ 11,020	\$ 11,340	\$ 11,631	\$ 11,925	\$ 12,209
University press	\$ 547	\$ 582	\$ 642	\$ 656	\$ 670	\$ 683	\$ 696
Elem-high text	\$ 4,622	\$ 5,320	\$ 5,375	\$ 5,766	\$ 6,161	\$ 6,607	\$ 6,851
College text	\$ 6,204	\$ 6,329	\$ 6,522	\$ 6,710	\$ 6,895	\$ 7,084	\$ 7,282
Subscription reference	\$ 1,055	NA	NA	NA	NA	NA	NA
BOOKS ELIGIBLE FOR SALES TAX HOLIDAY				\$ 54,161.40	\$ 55,548.40	\$ 57,066.40	\$ 58,673.70
* Projections from Book Industry Study Group, 2007 Book Industry Trends power-point presentation to BookExpo America 2007							
	2004	Est 2005*	Est 2006*	Proj 2007*	Proj 2008*	INCLUDED IN BOOK DEFINITION?	INCLUDED IN \$50 LIMIT?
PERCENTAGES							
Trade	47.6%	41.2%	41.3%	41.2%	40.8%	INCLUDED	INCLUDED
Adult	30.4%	29.9%	30.1%	29.8%	29.6%	INCLUDED	INCLUDED
Juvenile	10.9%	11.3%	11.2%	11.3%	11.2%	INCLUDED	INCLUDED
Mass market paperbacks-rack sized	6.3%	6.1%	6.0%	6.1%	6.1%	INCLUDED	INCLUDED
Bookclubs						out	out
Mail order publications						out	out
Religious	8.4%	8.5%	8.7%	8.8%	9.0%	INCLUDED	INCLUDED
Professional						INCLUDED	out
University press						INCLUDED	out
Elem-high text	9.4%	10.2%	10.0%	10.4%	10.7%	INCLUDED	out
College text	12.6%	12.2%	12.2%	12.0%	12.0%	INCLUDED	out
Subscription reference						out	out