

REVENUE ESTIMATING CONFERENCE

TAX: Sales and Use Tax

ISSUE: Sales Tax Holiday during the month of October for energy-efficient products selling for \$1,500 or less

BILL NUMBER(S): SB 976 as filed

SPONSOR(S): Senator Sobel

MONTH/YEAR COLLECTION IMPACT BEGINS: October 2009

DATE OF ANALYSIS: February 6, 2009

SECTION 1: NARRATIVE

a. Current Law:

Pursuant to Ch. 212, F.S., sales and use tax is collected from sales of dishwashers, clothes washers, air conditioners, ceiling fans, light bulbs, dehumidifiers, programmable thermostats and refrigerators.

b. Proposed Change:

The bill exempts the purchase of “energy-efficient products” selling for \$1,500 or less for each product from the sales and use tax. “Energy-efficient product” is defined as a dishwasher, clothes washer, air conditioner, ceiling fan, light bulb, dehumidifier, programmable thermostat or refrigerator that has been designated by the U.S. Environmental Protection Agency and by the U.S. Department of Energy as meeting or exceeding each agency’s requirements for energy efficiency or that has been designated as meeting or exceeding the requirements under the Energy Star Program of either agency. The exemption is limited to energy-efficient products purchased for noncommercial home or personal use, and does not apply to purchases for trade, business, or resale. (It is not clear how this restriction will be applied in practice.) The exemption is limited to the month of October each year.

The Department of Revenue (DOR) is authorized to adopt emergency rules to administer the exemption. An appropriation of \$57,028 from General Revenue is provided to the DOR for administrative costs.

The bill takes effect July 1, 2009.

SECTION 2: DESCRIPTION OF DATA AND SOURCES

Energy Star website at www.energystar.gov

Energy Star sales data provided by Ann Bailey, EPA Energy Star program (202) 343-9023

Lowe’s website at www.lowes.com

Consumer Expenditure Survey, 2007 (U.S. Department of Labor, Bureau of Labor Statistics)

Florida Demographic Estimating Conference, Oct 2008

National Economic Estimating Conference, Oct 2008

General Revenue Estimating Conference, Nov 2008

SECTION 3: METHODOLOGY (INCLUDE ASSUMPTIONS AND ATTACH DETAILS)

See attached worksheets.

SECTION 4: PROPOSED FISCAL IMPACT

State Impact: All Funds	FY 2009-10 Annualized	FY 2009-10 Cash	FY 2010-11 Cash	FY 2011-12 Cash	FY 2012-13 Cash
High	(\$ 5.0 M)	(\$ 5.0 M)	(\$ 4.8 M)	(\$ 5.4 M)	(\$6.1 M)
Middle	(\$ 4.7 M)	(\$ 4.7 M)	(\$ 4.7 M)	(\$ 5.0 M)	(\$ 5.4 M)
Low	(\$ 4.5 M)	(\$ 4.5 M)	(\$ 4.5 M)	(\$ 4.6 M)	(\$ 4.6 M)

REVENUE ESTIMATING CONFERENCE

TAX: Sales and Use Tax

ISSUE: Sales Tax Holiday during the month of October for energy-efficient products selling for \$1,500 or less

BILL NUMBER(S): SB 976 as filed

SPONSOR(S): Senator Sobel

MONTH/YEAR COLLECTION IMPACT BEGINS: October 2009

DATE OF ANALYSIS: February 6, 2009

SECTION 5: CONSENSUS ESTIMATE (ADOPTED 2/13/09) The conference adopted the middle estimate.

	FY 2009-10 Annualized	FY 2009-10 Cash	FY 2010-11 Cash	FY 2011-12 Cash	FY 2012-13 Cash
General Revenue	(4.2)	(4.2)	(4.2)	(4.4)	(4.7)
State Trust	(Insignificant)	(Insignificant)	(Insignificant)	(Insignificant)	(Insignificant)
Total State Impact	(4.2)	(4.2)	(4.2)	(4.4)	(4.7)
Revenue Sharing	(.1)	(.1)	(.1)	(.2)	(.2)
Local Gov't Half Cent	(.4)	(.4)	(.4)	(.4)	(.5)
Local Option	(.4)	(.4)	(.4)	(.4)	(.5)
Total Local Impact	(.9)	(.9)	(.9)	(1.0)	(1.2)
Total Impact	(5.1)	(5.1)	(5.1)	(5.4)	(5.9)

IMPACT OF SB 976 AS FILED

Date of Analysis: Feb. 6, 2009

Energy Star Data:

2006 ENERGY STAR Qualified Appliance Retail Sales Data - State				
State	Appliance Type	Quarter	% ENERGY STAR	
FL	AC	ALL	41.07%	
FL	CW	ALL	35.82%	
FL	DW	ALL	93.24%	
FL	RF	ALL	30.37%	

National Energy Star Sales Data from EPA (Ann Bailey)				Adjust for
Year	All Sales	ES* Sales	% ES*	DW/CW*
2007	7,335	5,135	70%	60%
DW	9,595	4,318	45%	38%
AC	10,659	4,263	40%	40%
RF	11,299	4,52	40%	40%
Wtd Avg	38,888	18,236	47%	43%
Light bulbs	1,318,030	313,523	24%	

* ES = ENERGY STAR
 *Energy Star is upping requirements for dishwashers & clothes washers. ES Sales have been reduced by 15% to account for the impact of these changes.

Demographic Data

Florida Population as of Oct 1 by Year	Less than 25	25-34	35-44	45-54	55-64	65 and older	All ages
2006	5,818,617	2,251,484	2,567,767	2,599,690	2,122,911	3,175,518	18,535,987
2007	5,876,715	2,286,315	2,543,501	2,647,414	2,196,662	3,222,868	18,773,475
2008	5,898,906	2,306,928	2,507,710	2,689,557	2,269,408	3,274,339	18,946,848
2009	5,937,445	2,334,189	2,477,903	2,739,838	2,349,817	3,335,719	19,174,911
2010	5,992,500	2,373,938	2,468,328	2,770,353	2,430,764	3,426,310	19,462,193
2011	6,062,158	2,425,826	2,478,551	2,779,019	2,511,662	3,546,380	19,803,596
2012	6,130,542	2,478,045	2,487,610	2,786,284	2,593,855	3,668,483	20,144,819

Percent of October 1 Total Population

Year	Less than 25	25-34	35-44	45-54	55-64	65 and older
2006	31.39%	12.15%	13.85%	14.03%	11.45%	17.13%
2007	31.30%	12.18%	13.55%	14.10%	11.70%	17.17%
2008	31.13%	12.18%	13.24%	14.20%	11.98%	17.28%
2009	30.96%	12.17%	12.92%	14.29%	12.25%	17.40%
2010	30.79%	12.20%	12.68%	14.23%	12.49%	17.60%
2011	30.61%	12.25%	12.52%	14.03%	12.68%	17.91%
2012	30.43%	12.30%	12.35%	13.83%	12.88%	18.21%

Consumer Expenditure Survey Data

South Region Average Annual Expenditures by Age Group	Consumer Expenditure Survey, 2006-07			Apply Florida Pop %s	Fla-adjusted CES, 2006-07		
	Major Appliances	Small appliances & misc. housewares	Misc. household equipment		Major Appliances	Small appliances & misc. housewares	Misc. household equipment
Less than 25	171	60	417	Less than 25	54	19	131
25-34	156	108	588	25-34	19	13	71
35-44	246	108	775	35-44	34	15	107
45-54	269	133	795	45-54	38	19	111
55-64	215	110	875	55-64	25	13	100
65 and older	189	70	528	65 and older	32	12	90
All ages	222	92	741	FL Wtd Avg Ex	202	91	610

Per Consumer Expenditure Survey (CES), "major appliance" includes refrigerators and freezers, dishwashers and garbage disposals, stoves and ovens, vacuum cleaners, microwaves, air-conditioners, sewing machines, washing machines and dryers, and floor cleaning equipment.

Per Consumer Expenditure Survey (CES), "small appliances/miscellaneous housewares" includes small electrical kitchen appliances. "Miscellaneous household equipment" includes light fixtures, other household appliances and other small miscellaneous furnishings. Dehumidifiers, programmable thermostats, ceiling fans and light bulbs would probably fit here.

ASSUMPTIONS AND CALCULATIONS

Using Sales Tax-Durables growth rate, adjust 2006-07 FL Wtd Avg Expenditures for Major Appliances & Other Misc to future years:
 Sales Tax-Durables growth rate from Nov 08 General Revenue Estimating Conference for Fys 2006-07 through 2011-12.

NOV 08 GR REC	SUT Durables	SUT Durables Change	FL Avg Exp. / Major Appliances	10% of Misc. & Small Appl	Total Expend.
2006-07	1,664.6		\$ 202	\$ 70	\$ 272
2007-08	1,456.9	-12.5%	\$ 177 adjusted	\$ 61	\$ 238
2008-09	1,271.9	-12.7%	\$ 155 adjusted	\$ 53	\$ 208
2009-10	1,231.6	-3.2%	\$ 150 adjusted	\$ 51	\$ 201
2010-11	1,359.0	10.3%	\$ 165 adjusted	\$ 56	\$ 221
2011-12	1,523.7	12.1%	\$ 185 adjusted	\$ 63	\$ 248
2012-13 (EDR est)	1,663.2	9.2%	\$ 202 adjusted	\$ 69	\$ 271

Households in Florida (Oct 08 DEC) (thousands)	Total Appliance Purchases by FL HHs (\$ millions)		Sales & Use Tax	
	Use Durables-adj	Use 07 level	Use Durables-adj	Use 07 level
2006-07	7,409.7			
2007-08	7,493.6	\$ 1,783.48	\$ 2,038.26	\$ 107.01
2008-09	7,528.9	\$ 1,566.01	\$ 2,047.86	\$ 93.96
2009-10	7,564.8	\$ 1,520.52	\$ 2,057.63	\$ 91.23
2010-11	7,644.0	\$ 1,689.32	\$ 2,079.17	\$ 101.36
2011-12	7,765.7	\$ 1,925.89	\$ 2,112.27	\$ 115.55
2012-13	7,896.8	\$ 2,140.03	\$ 2,147.93	\$ 128.40

Overall Energy Star purchases rate for Florida calculated from 2007 data is 47%.
 Adjust for more stringent ENERGY STAR requirements for clothes & dish washers; rate is 43%.

Energy Star appliance purchases in Florida			Energy Star appliance purchases in Florida		
SUT Durables-adj.	Total	Energy Star 43%	Hold 07 level	Total	Energy Star 43%
2008-09	\$ 1,566.01	\$ 673.38	2008-09	\$ 2,038.26	\$ 876.45
2009-10	\$ 1,520.52	\$ 653.83	2009-10	\$ 2,047.86	\$ 880.58
2010-11	\$ 1,689.32	\$ 726.41	2010-11	\$ 2,057.63	\$ 884.78
2011-12	\$ 1,925.89	\$ 828.13	2011-12	\$ 2,079.17	\$ 894.04
2012-13	\$ 2,140.03	\$ 920.21	2011-12	\$ 2,112.27	\$ 908.28

Assume that the exempt items in the legislation accounts for between 45% and 65% of the total CES category.

Exempt items =	Price Range (Lowes website) Limited to highest price <= \$1,500	Additional CES items =	Price Range (Lowes website) Limited to highest price <= \$1,500
dishwashers	\$238 - \$1,498	freezers	\$396 - \$1,498
clothes washers	\$538 - \$1,498	garbage disposals	\$69 - \$319
air conditioners	\$349 - \$792	stoves and ovens	\$348 - \$1,498
ceiling fans	\$50 - \$253	vacuum cleaners	\$65 - \$600
light bulbs	\$7 - \$70 (10 pack)	microwaves	\$71 - \$1,148
dehumidifiers	\$154 - \$239	sewing machines	\$90 - \$1,500
programmable thermostats	\$29 - \$60	clothes dryers	\$328 - \$1,499
refrigerators	\$548 - \$1,498	floor cleaning equipment	\$30 - \$180 (shop vac)

Energy Star appliance purchases in Florida - HIGH ESTIMATE			
SUT Durables-adj.	65% of Total	Energy Star 43%	SUT
2008-09	\$ 1,159.26	\$ 498.48	\$ (29.91)
2009-10	\$ 1,017.91	\$ 437.70	\$ (26.26)
2010-11	\$ 988.34	\$ 424.99	\$ (25.50)
2011-12	\$ 1,098.06	\$ 472.17	\$ (28.33)
2012-13	\$ 1,251.83	\$ 538.29	\$ (32.30)

Energy Star appliance purchases in Florida - LOW ESTIMATE			
Hold 07 level	45% of Total	Energy Star 43%	SUT
2008-09	\$ 917.22	\$ 394.40	\$ (23.66)
2009-10	\$ 921.54	\$ 396.26	\$ (23.78)
2010-11	\$ 925.93	\$ 398.15	\$ (23.89)
2011-12	\$ 935.63	\$ 402.32	\$ (24.14)
2012-13	\$ 950.52	\$ 408.72	\$ (24.52)

Adjust annual to 31 days in October (SB 976 as filed)
 Wait-to-buy factor (one and one-half weeks before and four weeks after Oct) increases 31-day to 69-day impact.

	High Durables / 60%	Middle Avg	Low 07 lvl / 40%
2009-10	\$ (5.0)	\$ (4.7)	\$ (4.5)
2010-11	\$ (4.8)	\$ (4.7)	\$ (4.5)
2011-12	\$ (5.4)	\$ (5.0)	\$ (4.6)
2012-13	\$ (6.1)	\$ (5.4)	\$ (4.6)