

**REVENUE ESTIMATING CONFERENCE**

**TAX:** Sales and Use Tax

**ISSUE:** Sales Tax holiday – 7 days in August 2009 for clothing \$50 or less and for expanded list of school supplies \$10 or less

**BILL NUMBER(S):** HB 815

**SPONSOR(S):** Representative Coley

**MONTH/YEAR COLLECTION IMPACT BEGINS:** August 2009

**DATE OF ANALYSIS:** February 27, 2009

**SECTION 1: NARRATIVE**

**a. Current Law:**

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

**b. Proposed Change:**

During the seven-day period from 12:01 a.m. August 1, 2009 (a Saturday), through 11:39 p.m. August 7 (a Friday), 2009, 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 per item**. 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, binders, lunch boxes, construction paper, markers, folders, poster board, 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 per item**. Items in *italics* above are not included in either SB 396 as filed or HB 595 as filed.

The bill provides an **appropriation of \$232,593 from nonrecurring General Revenue** to the Department of Revenue to administer the sales tax holiday.

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

February 2009 National Economic Estimating Conference forecast for Clothing and Shoes.

U.S. and Florida populations under 65, 65 and over, and total from National Economic Estimating Conference February 2009 and Florida Demographic Estimating Conference February 2009.

Public Schools Enrollment Estimating Conference FTE long-run forecast February 2009.

DOE K-12 Headcount Enrollment, Fall 2008.

Florida School Choice Office, Florida’s Private Schools Mid-Year Report, 2008-09.

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

**SECTION 3: METHODOLOGY (INCLUDE ASSUMPTIONS AND ATTACH DETAILS)**

See attached worksheets. Begin with BASE of ten-day impact and adjust by matrix based on number of days in the holiday.

**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
<b>High - TOTAL</b>		<b>(\$ 24.1 M)</b>			
Clothing & Shoes		(\$ 19.9 M)			
School Supplies		(\$ 4.1 M)	-0-	-0-	-0-
<b>Middle - TOTAL</b>		<b>(\$ 22.1 M)</b>			
Clothing & Shoes		(\$ 18.2 M)			
School Supplies		(\$ 3.9 M)	-0-	-0-	-0-
<b>Low - TOTAL</b>		<b>(\$ 20.1 M)</b>			
Clothing & Shoes		(\$ 16.4 M)			
School Supplies		(\$ 3.7 M)	-0-	-0-	-0-

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**SECTION 5: CONSENSUS ESTIMATE (ADOPTED 3/14/09)** 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		(19.5)			
State Trust		(Insignificant)			
Total State Impact		(19.5)			
Revenue Sharing		(.6)			
Local Gov't Half Cent		(1.9)			
Local Option		(1.9)			
Total Local Impact		(4.4)			
Total Impact	0	(23.9)	0	0	0

## Back-to-School Daily Factors - based on Hurricane Sales Tax Holiday Analysis

**Assume:**

Depending upon what SET OF DAYS are included, the most impact will come from the weekend.

As long as an ENTIRE WEEKEND is included, the most impact will occur on Friday, Saturday and Sunday.

Each weekday will add less to the impact.

Example:	Thursday	Friday	Saturday	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday	Monday	TUESDAY	WEDNESDAY	TOTAL	Recalibrate to 10-day holiday
14-Day Holiday	2.0%	5.5%	35.0%	20.0%	1.0%	1.0%	1.0%	1.0%	2.5%	20.0%	10.0%	1.0%	1.0%	1.0%	102.0%	105.2%
13-Day Holiday	2.0%	5.5%	35.0%	20.0%	1.0%	1.0%	1.0%	1.0%	2.5%	20.0%	10.0%	1.0%	X	X	101.0%	104.1%
12-Day Holiday	2.0%	5.5%	35.0%	20.0%	1.0%	1.0%	1.0%	1.0%	2.5%	20.0%	10.0%	1.0%	X	X	100.0%	103.1%
11-Day Holiday	2.0%	5.5%	35.0%	20.0%	1.0%	1.0%	1.0%	1.0%	2.5%	20.0%	10.0%	X	X	X	99.0%	102.1%
10-Day Holiday	X	5.5%	35.0%	20.0%	1.0%	1.0%	1.0%	1.0%	2.5%	20.0%	10.0%	X	X	X	97.0%	100.0%
9-Day Holiday	X	5.5%	35.0%	20.0%	1.0%	1.0%	1.0%	1.0%	2.5%	20.0%	X	X	X	X	87.0%	89.7%
8-Day Holiday	X	X	35.0%	20.0%	1.0%	1.0%	1.0%	1.0%	2.5%	20.0%	X	X	X	X	81.5%	84.0%
7-Day Holiday	X	5.5%	35.0%	20.0%	1.0%	1.0%	1.0%	1.0%	X	X	X	X	X	X	64.5%	66.5%
6-Day Holiday	2.0%	5.5%	35.0%	20.0%	1.0%	1.0%	X	X	X	X	X	X	X	X	64.5%	66.5%
5-Day Holiday	2.0%	5.5%	35.0%	20.0%	1.0%	X	X	X	X	X	X	X	X	X	63.5%	65.5%
4-Day Holiday	2.0%	5.5%	35.0%	20.0%	X	X	X	X	X	X	X	X	X	X	62.5%	64.4%
3-Day Holiday	X	5.5%	35.0%	20.0%	X	X	X	X	X	X	X	X	X	X	60.5%	62.4%
2-Day Holiday	X	X	35.0%	20.0%	X	X	X	X	X	X	X	X	X	X	55.0%	56.7%
1-Day Holiday	X	X	35.0%	X	X	X	X	X	X	X	X	X	X	X	35.0%	36.1%

Applicable to all Sales Tax Holiday bills		BASE Impact	Cost by Day, in \$ millions, based on factors shown in table above													
Days in adopted estimate		10	14	13	12	11	10	9	8	7	6	5	4	3	2	1
Clothing \$50 or less																
High	(30.0)	(31.5)	(31.2)	(30.9)	(30.6)	(30.0)	(26.9)	(25.2)	(19.9)	(19.9)	(19.6)	(19.3)	(18.7)	(17.0)	(10.8)	
Middle	(27.3)	(28.7)	(28.4)	(28.1)	(27.9)	(27.3)	(24.5)	(22.9)	(18.2)	(18.2)	(17.9)	(17.6)	(17.0)	(15.5)	(9.9)	
Low	(24.7)	(26.0)	(25.7)	(25.5)	(25.2)	(24.7)	(22.2)	(20.8)	(16.4)	(16.4)	(16.2)	(15.9)	(15.4)	(14.0)	(8.9)	
Books \$50 or less																
High	(8.5)	(8.9)	(8.9)	(8.8)	(8.7)	(8.5)	(7.6)	(7.1)	(5.7)	(5.7)	(5.6)	(5.5)	(5.3)	(4.8)	(3.1)	
Middle	(7.0)	(7.4)	(7.3)	(7.2)	(7.1)	(7.0)	(6.3)	(5.9)	(4.7)	(4.7)	(4.6)	(4.5)	(4.4)	(4.0)	(2.5)	
Low	(5.5)	(5.8)	(5.7)	(5.7)	(5.6)	(5.5)	(4.9)	(4.6)	(3.7)	(3.7)	(3.6)	(3.5)	(3.4)	(3.1)	(2.0)	
School Supplies \$10 or less:																
<b>BASE list</b>																
High	(5.7)	(6.0)	(5.9)	(5.9)	(5.8)	(5.7)	(5.1)	(4.8)	(3.8)	(3.8)	(3.7)	(3.7)	(3.6)	(3.2)	(2.1)	
Middle	(5.4)	(5.7)	(5.6)	(5.6)	(5.5)	(5.4)	(4.8)	(4.5)	(3.6)	(3.6)	(3.5)	(3.5)	(3.4)	(3.1)	(1.9)	
Low	(5.0)	(5.3)	(5.2)	(5.2)	(5.1)	(5.0)	(4.5)	(4.2)	(3.3)	(3.3)	(3.3)	(3.2)	(3.1)	(2.8)	(1.8)	
<b>EXPANDED list</b>																
High	(6.2)	(6.5)	(6.5)	(6.4)	(6.3)	(6.2)	(5.6)	(5.2)	(4.1)	(4.1)	(4.1)	(4.0)	(3.9)	(3.5)	(2.2)	
Middle	(5.9)	(6.2)	(6.1)	(6.1)	(6.0)	(5.9)	(5.3)	(5.0)	(3.9)	(3.9)	(3.9)	(3.8)	(3.7)	(3.3)	(2.1)	
Low	(5.5)	(5.8)	(5.7)	(5.7)	(5.6)	(5.5)	(4.9)	(4.6)	(3.7)	(3.7)	(3.6)	(3.5)	(3.4)	(3.1)	(2.0)	
<b>Total, with BASE school supplies list</b>																
High	(44.2)	(46.5)	(46.0)	(45.6)	(45.1)	(44.2)	(39.6)	(37.1)	(29.4)	(29.4)	(28.9)	(28.5)	(27.6)	(25.1)	(15.9)	
Middle	(39.7)	(41.7)	(41.3)	(40.9)	(40.5)	(39.7)	(35.6)	(33.4)	(26.4)	(26.4)	(26.0)	(25.6)	(24.8)	(22.5)	(14.3)	
Low	(35.2)	(37.0)	(36.7)	(36.3)	(35.9)	(35.2)	(31.6)	(29.6)	(23.4)	(23.4)	(23.0)	(22.7)	(22.0)	(20.0)	(12.7)	
<b>Total, with EXPANDED school supplies list</b>																
High	(44.7)	(47.0)	(46.5)	(46.1)	(45.6)	(44.7)	(40.1)	(37.6)	(29.7)	(29.7)	(29.3)	(28.8)	(27.9)	(25.3)	(16.1)	
Middle	(40.2)	(42.3)	(41.9)	(41.4)	(41.0)	(40.2)	(36.1)	(33.8)	(26.7)	(26.7)	(26.3)	(25.9)	(25.1)	(22.8)	(14.5)	
Low	(35.7)	(37.5)	(37.2)	(36.8)	(36.4)	(35.7)	(32.0)	(30.0)	(23.7)	(23.7)	(23.4)	(23.0)	(22.3)	(20.2)	(12.9)	

Provisions of the Bills	SB 396 as filed # Days = 11			HB 595 as filed # Days = 9			HB 815 as filed # Days = 7		
	High	Middle	Low	High	Middle	Low	High	Middle	Low
Clothing \$50/item	(30.6)	(27.9)	(25.2)	(26.9)	(24.5)	(22.2)	(19.9)	(18.2)	(16.4)
Books \$50/item	(8.7)	(7.1)	(5.6)	(7.6)	(6.3)	(4.9)			
School Supplies \$10/item BASE	(5.8)	(5.5)	(5.1)	(5.1)	(4.8)	(4.5)			
School Supplies \$10/item EXPAND							(4.1)	(3.9)	(3.7)
<b>TOTAL</b>	<b>(45.1)</b>	<b>(40.5)</b>	<b>(35.9)</b>	<b>(39.6)</b>	<b>(35.6)</b>	<b>(31.6)</b>	<b>(24.1)</b>	<b>(22.1)</b>	<b>(20.1)</b>

**CLOTHING & SHOES, TEN DAYS IN AUG, \$50 LIMIT**

<b>2009-10</b>	<u>Low</u>	<u>Medium</u>	<u>High</u>
National Expenditure on Apparel and Shoes	352,550.8	352,550.8	352,550.8
Fl. share based on pop forecast of 04/05 (Q3 04)	21,490.0	21,490.0	21,490.0
Fl. Exp. on Apparel & Shoes (adjusted)	18,039.6	18,039.6	18,039.6
Est. Fl. Based Sales of Apparel & Shoes (mail ord. Adj.)	15,514.1	15,514.1	15,514.1
Sales Tax at 6%	930.8	930.8	930.8
Exempted Amount (55%, 60%, & 65%)	512.0	558.5	605.0
Prel. TEN-day fiscal impact in Florida (\$ 50 limit)	\$ (14.0)	\$ (15.3)	\$ (16.6)
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. TEN-day fiscal impact in Florida (\$ 50 limit)	\$ (24.3)	\$ (26.5)	\$ (28.7)
Backpacks (30%, 20%, 10% of Prek-12 + U Stu. (\$25))	\$ (0.4)	\$ (0.9)	\$ (1.3)
<b>Total Impact</b>	<b>\$ (24.7)</b>	<b>\$ (27.3)</b>	<b>\$ (30.0)</b>

**NOTES:**

Source: Clothes & Shoes  
 Global Insight Feb 09 CONTROL fcst AS ADJUSTED BY NEEC COI

US Pop = 12.9% 65+ / Fla Pop = 17.6% 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  
 2,881,058 linked

RETAIL BOOKS, TEN DAYS IN AUG, \$50 LIMIT RETAIL BOOKS \$50	2009-10		
	BASE		
	Low	Medium	High
Total Value U.S. Domestic Consumer Expenditures on Books, BSIG est. BISG = Book Industry Study Group	59,926.7	59,926.7	59,926.7
Fl. share based on pop forecast ( Feb 08 DEC / Q3 for August)	3,652.9	3,652.9	3,652.9
Per capita for Florida	194.1	194.1	194.1
Est. Fl. Based Sales of BOOKS (mail ord. Adj.)	3,141.5	3,141.5	3,141.5
Sales Tax at 6%	188.5	188.5	188.5
Exempted Amount (85%, 90%, 95%) - Books \$50 or less	160.2	169.6	179.1
Prel. TEN-DAY fiscal impact in Florida (\$50 limit)	\$ (4.39)	\$ (4.65)	\$ (4.91)
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. TEN-DAY fiscal impact in Florida	\$ (5.5)	\$ (7.0)	\$ (8.5)

**2009 SCHOOL SUPPLIES SALES TAX HOLIDAY  
TEN DAYS IN AUG  
SCHOOL SUPPLIES BASE LIST  
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, Univ, Private</u>
<b>Grades</b>			
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. Students	\$ 40.00	\$ 24.00	\$ 2.00
Private	\$ 30.00	\$ 18.00	\$ 1.00

**K-12 Headcount estimate:**  
Begin with Fall 2008 actual public school headcount.  
Add private school headcount, Mid-Year Report from the Florida School Choice Office.  
Grow FY 2008-09 headcount (public + private) by FTE growth from Feb 2009 PSEEC for out-year.

**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 Feb 2009.

<b>DEFINITIONS:</b>		
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 396 AS FILED HB 595 AS FILED BASE - FY 07-08

Students by Level	School Supplies + Computer Disks FY 2009-10	
	FY 2009-10	Includes Backpack? NO
PreK	88,126	1.1
KG	219,057	2.6
1	213,891	2.6
2	212,875	2.6
3	222,198	3.3
4	215,703	3.5
5	212,837	3.4
6	213,489	4.7
7	217,506	4.8
8	212,659	4.7
9	237,906	5.9
10	213,902	5.3
11	206,567	5.2
12	194,342	4.9
Total, Public PK-12	2,881,058	54.5
Total Univ/CC/Private HiEd	1,077,859	28.0
Total PreK-12 + HiEd	3,958,917	82.5

**Advantage Buying by Business, General Public**

**25% Factor 20.6**

% for 10-day  
85%  
75%  
65%

<b>School Supplies \$10 limit Impact (\$M)</b>	FY 2009-10	0	0	0
Sales Tax Impact (High - see col B & C% Children + U Students)	-5.7	0.0	0.0	0.0
Sales Tax Impact (Medium - see col B & C% Children + U Students)	-5.4	0.0	0.0	0.0
Sales Tax Impact (Low - see col B & C% Children + U Students)	-5.0	0.0	0.0	0.0

**2009 SCHOOL SUPPLIES SALES TAX HOLIDAY  
TEN DAYS IN AUG  
SCHOOL SUPPLIES EXPANDED LIST  
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, Univ, Private</u>
<b>Grades</b>			
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. Students	\$ 40.00	\$ 24.00	\$ 2.00
Private	\$ 30.00	\$ 18.00	\$ 1.00

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ADDITIONAL ITEMS =	binders, lunch boxes, construction paper, markers, folders and poster board	HB 815 AS FILED

Students by Level	School Supplies + Computer Disks FY 2009-10	
	FY 2009-10	Includes Backpack? NO
PreK	88,126	1.1
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**Advantage Buying by Business, General Public**

**25% Factor + 10% for expanded list 28.9**

% for 10-day  
85%  
75%  
65%

<b>School Supplies \$10 limit Impact (\$M)</b>	FY 2009-10	0	0
Sales Tax Impact (High - see col B & C% Children + U Students)	-6.2	0.0	0.0
Sales Tax Impact (Medium - see col B & C% Children + U Students)	-5.9	0.0	0.0
Sales Tax Impact (Low - see col B & C% Children + U Students)	-5.5	0.0	0.0