

REVENUE ESTIMATING CONFERENCE

Tax: Sales and Use Tax

Issue: School Sales Tax Holiday, 3 days, \$60 Clothing/Shoes, \$15 School Supplies, No Computers, Dealer Opt Out Provision

Bill Number(s): HB 7099 (Ch. 2016-220, L.O.F.)

Entire Bill

Partial Bill: Section 24

Sponsor(s): Representative Gaetz

Month/Year Impact Begins: The bill is effective July 1, 2016. The sales tax holiday will affect August activity and, subsequently, September collections.

Date of Analysis: May 23, 2016

Section 1: Narrative

a. Current Law:

Under current law in Ch. 212, F.S., clothing and school supplies are subject to the 6% Sales and Use Tax.

b. Proposed Change:

Clothing: The bill exempts sales of “clothing, wallets, or bags, including handbags, backpacks, fanny packs, and diaper bags, but excluding briefcases, suitcases, and other garment bags” from the Sales and Use Tax for a three-day period beginning on Friday, August 5, and ending on Sunday, August 7, 2016, as long as the sales price of the item does not exceed \$60. Clothing is defined as “any article of wearing apparel intended to be worn on or about the human body, excluding watches, watchbands, jewelry, umbrellas, and handkerchiefs,” and including all footwear except for “skis, swim fins, roller blades, and skates.”

School Supplies: During this same period, sales of school supplies having a sales price of \$15 or less per item are exempt from the Sales and Use Tax. School supplies are defined as “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.”

The tax exemptions do not apply to sales within a theme park or entertainment complex, within a public lodging establishment, or within an airport.

The bill allows a dealer to “opt out” of the sales tax holiday if “less than five percent of the dealer’s gross sales of tangible personal property in the prior calendar year are comprised of items which would be exempt” under the bill. If the qualifying dealer chooses not to participate in the tax holiday, the dealer must notify the Department of Revenue in writing and post a copy of that notice in a conspicuous location at the place of business.

Section 2: Description of Data and Sources

- Clothing and Shoes expenditures forecast, DEC 2015 National Economic Estimating Conference.
- U.S. Population (total and 65+), 3rd Quarter estimates, DEC 2015 National Economic Estimating Conference.
- Florida Population (total and 65+), 3rd Quarter estimates, DEC 2015 Demographic Estimating Conference.
- Estimates of Florida public school enrollment, JAN 2016 K-12 Enrollment Estimating Conference.
- Estimates of Florida private school enrollment, Department of Education Office of K-12 School Choice.
- Estimates of Florida public and private college/university fall enrollment, Integrated Postsecondary Education Data System (National Center for Education Statistics). Available at www.nces.ed.gov/ipeds. Estimates include Florida College System institutions, State Universities, career centers, and private institutions eligible to participate in the FRAG or ABLE tuition assistance programs. Last accessed 1/20/2016.
- Back-to-School Planned Spending data, National Retail Federation. Available at <https://nrf.com/resources/back-school-headquarters>. Accessed 9/10/2015.
- Selected school supply lists from various Florida school districts.

Section 3: Methodology (Include Assumptions and Attach Details)

Clothing/Shoes/Backpacks: Florida expenditures for clothing and shoes are derived from total national expenditures for clothing and shoes using Florida population (adjusted for ages 65+), and adjusted for an assumed 10 percent non-taxed mail order items. The annual total Florida expenditures are converted to a ten-day amount, and it is assumed that 66 percent of expenditures would be under the \$60 limit. The 66 percent factor is derived from prior REC impacts for a \$50 limit and a \$75 limit. For backpacks, it is assumed that 20 percent of students would purchase a backpack, and each backpack is assumed to cost \$25. These percentages are reduced by 2.5 percentage points (to 63.5% and 17.5%, respectively) to adjust for the dealer opt out

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provision. Using a base ten-day matrix (which is derived from a 14-day matrix developed to estimate the impact for a prior hurricane sales tax holiday) to spread expenditure levels by each day of the forecast period, the level of spending for a three-day weekend is derived (=62.4% of the ten-day total). The 62.4% factor is applied to the sales tax portion of ten days of spending to estimate the impact for the three-day holiday

School Supplies: For school supplies, an amount of expenditure is assumed per student, by grade level, for ten days, which is multiplied by the estimated number of students enrolled in public or private elementary and secondary schools, Florida Colleges, State Universities, career centers, and private colleges/universities. Based on a review of National Retail Federation information and selected public school supply lists, the estimated expenditure amount per student was increased from the 2015 estimate as follows: PreK through 5th grade—plus 25%; 6th through 8th grades—plus 10%; and 9th through 12th grades and higher education—plus 5%. The estimated total expenditure by students is increased by a factor of 25% for business spending. A 2.5 percentage point adjustment is made for the dealer opt out, and the 62.4% matrix adjustment is also made to derive the three-day impact.

Section 4: Proposed Fiscal Impact: The impact is nonrecurring for FY 2016-17 only.

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2016-17 Clothing/Shoes/Backpacks School Supplies Total			(21.0 M) <u>(4.9 M)</u> (25.9 M)			

List of affected Trust Funds:

Sales and Use Tax Grouping

Section 5: Consensus Estimate (Adopted: 05/24/2016): The Conference adopted the middle estimate.

	GR		Trust		Revenue Sharing		Local Half Cent	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2016-17	(22.9)	0.0	(Insignificant)	0.0	(0.8)	0.0	(2.2)	0.0
2017-18	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2018-19	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2019-20	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2020-21	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

	Local Option		Total Local		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2016-17	(2.3)	0.0	(5.3)	0.0	(28.2)	0.0
2017-18	0.0	0.0	0.0	0.0	0.0	0.0
2018-19	0.0	0.0	0.0	0.0	0.0	0.0
2019-20	0.0	0.0	0.0	0.0	0.0	0.0
2020-21	0.0	0.0	0.0	0.0	0.0	0.0

**HB 7099 (Ch. 2016-220, L.O.F.)
Sales Tax Holiday - Clothing, School Supplies**

3 Days, August 5-7, 2016

(NONRECURRING)

Expenditure Type		Estimate
1	Clothing & Shoes - \$60 or Less	\$ (21.0)
2	School Supplies - \$15 or Less	\$ (4.9)
3	Total Impact	\$ (25.9)

HB 7099 (Ch. 2016-220, L.O.F.)
SALES TAX HOLIDAY - CLOTHING

3 Days
\$60 Limit

2016-17	<u>Estimate</u>
1 National Personal Expenditure on Clothing and Shoes	389,300.0
2 Florida Share based on Population Forecast	24,292.8
3 Florida Expenditures on Apparel & Shoes (adjusted for 65+)	23,123.1
4 Est. Florida-based Sales of Apparel & Shoes (10% mail order adj.)	20,810.8
5 Sales Tax at 6%	1,248.6
6 Exempted Amount (66%)	824.1
7 Exempted Amount with Dealer Opt Out (63.5%)	792.9
8 Preliminary 10-day Fiscal Impact in Florida	(21.7)
9 Seasonal Factor set to 1 (no seasonal factor)	1.0
10 Behavioral Factor based on New York History and Florida Experience	1.5
11 Adjusted 10-day Fiscal Impact in Florida	(32.6)
12 Backpacks (20% x Number of Students x \$25/backpack))	(1.2)
13 Backpacks with Dealer Opt Out (17.5% x Number of Students x \$25/backpack))	(1.1)
14 Total Impact 3 Day (62.4% Adjustment)	(\$21.0)

HB 7099 (Ch. 2016-220, L.O.F.)
SALES TAX HOLIDAY - SCHOOL SUPPLIES

3 Days
\$15 Limit

2016-17

	Grade Level	Expenditures per Student	Number of Students	Total Expenditures
1	PreK	20.00	64,704	1.3
2	KG	20.00	227,691	4.6
3	1	20.00	231,383	4.6
4	2	20.00	239,131	4.8
5	3	25.00	252,361	6.3
6	4	27.00	245,556	6.6
7	5	27.00	242,713	6.6
8	6	32.00	236,933	7.6
9	7	32.00	235,519	7.5
10	8	32.00	237,934	7.6
11	9	35.00	244,654	8.6
12	10	35.00	241,560	8.5
13	11	35.00	228,574	8.0
14	12	35.00	214,566	7.5
15	Total PK-12		3,143,279	90.0
16	Total HigherEd	36.00	1,021,475	36.8
17	Total All Students		4,164,754	126.8
18	Advantage Buying by Business, General Public			
19	25% Factor + 10% for Expanded List			44.4
20			<u>Estimate</u>	
21	Total Sales Tax for 10 Days (75% x 95.9%)		(8.0)	
22	Total Sales Tax for 10 Days with Dealer Opt Out (72.5% x 95.9%)		(7.8)	
23	Total Impact 3 Day (62.4% Adjustment)			(\$4.9)

Clothing and School Supplies Tax Holiday Impacts

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.

Weekdays add less to the impact.

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	Calibrate to 12-day holiday	Calibrate to 10-day holiday
Example:	Thursday	Friday	Saturday	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday	Monday	Tuesday	Wednesday		
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%	1.0%	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	X	5.5%	35.0%	20.0%	1.0%	1.0%	X	X	X	X	X	X	X	X	62.5%	64.4%
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%