

**LEGISLATIVE FISCAL OFFICE**

**Fiscal Note**



Fiscal Note On: **HB 38** HLS 051ES 99  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Sub. Bill For.:  
 Proposed Amd.:

<b>Date:</b> November 7, 2005 8:31 PM	<b>Author:</b> HEBERT
<b>Dept./Agy.:</b> Revenue	
<b>Subject:</b> Sales Tax Holiday of certain items on Dec. 1 thru 5, 2005	<b>Analyst:</b> Robert E. Hosse

TAX/SALES-USE, ST-EXEMPT OR -\$11,500,000 GF RV See Note Page 1 of 1

To provide that the state sales or use tax shall not apply to consumer purchases of tangible personal property for non-business use on certain dates (Item #7)

Proposed legislation would provide for a state sales tax holiday on December 10, 2005. The bill specifically exempts from state sales tax on that day consumer purchases of tangible personal property for non-business use. "Consumer purchases" are defined as items of tangible personal property, other than vehicles subject to license and title, costing \$2,500 or less per unit that are not for use in a trade, business or profession. Effective upon governor's signature.

<b>EXPENDITURES</b>	<b><u>2005-06</u></b>	<b><u>2006-07</u></b>	<b><u>2007-08</u></b>	<b><u>2008-09</u></b>	<b><u>2009-10</u></b>	<b><u>5 -YEAR TOTAL</u></b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>REVENUES</b>	<b><u>2005-06</u></b>	<b><u>2006-07</u></b>	<b><u>2007-08</u></b>	<b><u>2008-09</u></b>	<b><u>2009-10</u></b>	<b><u>5 -YEAR TOTAL</u></b>
State Gen. Fd.	(\$11,413,750)	\$0	\$0	\$0	\$0	<b>(\$11,413,750)</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	(\$86,250)	\$0	\$0	\$0	\$0	<b>(\$86,250)</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>	<b>(\$11,500,000)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$11,500,000)</b>

**EXPENDITURE EXPLANATION**

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

**REVENUE EXPLANATION**

Proposed legislation is estimated to result in a decrease in State General Fund revenue (SGF and Tourism combined) of approximately \$11.5 million in FY06.

According to the Department of Revenue, general sales tax collections in December 2004 totaled \$184,177,000 or an average daily amount of \$5,941,200. The department further compared census data to the department's collections data, which implied that approximately 40% of the daily sales tax collections were attributable to subsectors which would be impacted by this legislation such as furniture and home furnishings, electronics and appliances, building materials and garden equipment, health and personal care, clothing and accessories, sporting goods, books, music store merchandise, general merchandise, and non-store retailers. The department assumed that 85% of the items purchased in these subsectors have a selling price of \$2,500 or less, normal sales activity doubled on the sales tax holiday, the percentage of non-business retail sales increased to 75% for the sales tax holiday, and that taxpayers taking advantage of the holiday would primarily purchase items within the retail subsectors identified. Based on this information and assumptions the department estimates that the proposed legislation would result in a State General Fund revenue loss of approximately \$3 million if held on a single day. The calculation is made as follows: (((average daily sales of \$56,742,000 X 2) X .75 nonbusiness retail sales) X .85 for percentage under \$2,500) X .04). Since the proposed legislation is based on 5 days, the impact of a single day is multiplied by 5 and reduced by 20% to account for limited disposable incomes.

Senate

Dual Referral Rules

House

13.5.1 >= \$500,000 Annual Fiscal Cost

6.8(F) >= \$500,000 Annual Fiscal Cost

13.5.2 >= \$500,000 Annual Tax or Fee Change

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease

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