

LEGISLATIVE FISCAL OFFICE

Fiscal Note



Fiscal Note On: **HB 42** HLS 051ES 344
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Sub. Bill For.:
 Proposed Amd.:

Date: November 11, 2005 10:07 AM	Author: MONTGOMERY
Dept./Agy.: Revenue	Analyst: Robert E. Hosse
Subject: Sales Tax Holiday December 9th thru 11th	

TAX/SALES-USE-EXEMPT EG -\$7,200,000 GF RV See Note Page 1 of 1
 Provides that the state sales or use tax shall not apply to consumer purchases from certain dealers of tangible personal property for non-business use on a certain date (Item #7)

Proposed legislation would provide for an optional (for merchants) state sales tax holiday December 9th through 11th, 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.

EXPENDITURES	2005-06	2006-07	2007-08	2008-09	2009-10	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2005-06	2006-07	2007-08	2008-09	2009-10	5 -YEAR TOTAL
State Gen. Fd.	(\$7,146,000)	\$0	\$0	\$0	\$0	(\$7,146,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	(\$54,000)	\$0	\$0	\$0	\$0	(\$54,000)
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	(\$7,200,000)	\$0	\$0	\$0	\$0	(\$7,200,000)

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 at 3.97% and Tourism District at .03%) of approximately \$7.2 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 for 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). This calculation infers expenditures equivalent to 2 shopping days occurring if the tax holiday is one day. Expanding the holiday to 3 days, the LFO assumes that the equivalent of 5 shopping days will occur in the 3 day period, or approximately \$1.45 million/day X 5 days = \$7.2 million.

Senate Dual Referral Rules

13.5.1 >= \$500,000 Annual Fiscal Cost

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

House

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

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

Gregory V. Albrecht
Chief Economist