



LEGISLATIVE FISCAL OFFICE

Fiscal Note

Fiscal Note On: **SB 40** SLS 051ES 210
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:
Sub. Bill For.: **REVISED**
Proposed Amd.:

Date: November 21, 2005 9:35 AM	Author: MOUNT
Dept./Agy.: Revenue	
Subject: Sales Tax Holiday of certain items on December 10, 2005	Analyst: Robert E. Hosse

TAX/SALES

EG -\$3,200,000 GF RV See Note

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Provides that the state sales or use tax shall not apply to consumer purchases of tangible personal property for non-business use on December 10, 2005. (qov sig)

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 the first \$2,500 of the sales price or cost price of any consumer purchase, other than vehicles subject to license and title, and which 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	\$0	\$0	\$0	\$0	\$0	\$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.	(\$3,176,000)	\$0	\$0	\$0	\$0	(\$3,176,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	(\$24,000)	\$0	\$0	\$0	\$0	(\$24,000)
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	(\$3,200,000)	\$0	\$0	\$0	\$0	(\$3,200,000)

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 and Tourism combined) of approximately \$3.2 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. The calculation is made as follows: (((average daily affected sales of \$56,742,000 X 2) X .75 nonbusiness retail sales) X .85 for percentage under \$2,500) X .04). The impact from allowing the first \$2,500 of the sales price or cost price of these consumer purchases rather than on items costing \$2,500 or less is anticipated to be marginal and the calculated impact of \$3 million based on items selling for \$2,500 or less should serve as a reasonable estimate.

According to the Department of Revenue, tangible personal property would also include food and beverages prepared in restaurants and bars. Annual sales from these establishments are anticipated to be approximately 15% of the subsectors used above to estimate those per day sales. If restaurant and bar sales are included in the sales tax holiday, another \$200,000 (\$1.45 million X .15 = \$217,500) decrease in state funds is estimated. In aggregate, the legislation would result in a decrease of approximately \$3.2 million.

Senate

☐ 13.5.1 >= \$500,000 Annual Fiscal Cost

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

Dual Referral Rules

House

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

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

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