



LEGISLATIVE FISCAL OFFICE

Fiscal Note

Fiscal Note On: **SB 96** SLS 051ES 403
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:

Sub. Bill For.:
Proposed Amd.:

Date: November 15, 2005 12:12 PM	Author: SHEPHERD
Dept./Agy.: Revenue	
Subject: Sales Tax Holiday December 17, 2005	Analyst: Robert E. Hosse

TAX/SALES

OR -\$3,600,000 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 of \$50,000 or less on December 17th. (gov siq)

Proposed legislation would provide for a state sales tax holiday on December 17, 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 purchases of items of tangible personal property, other than vehicles subject to license and title, costing \$50,000 or less per unit, 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.	(\$3,573,000)	\$0	\$0	\$0	\$0	(\$3,573,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	(\$27,000)	\$0	\$0	\$0	\$0	(\$27,000)
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	(\$3,600,000)	\$0	\$0	\$0	\$0	(\$3,600,000)

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 between \$3.3 million and \$3.9 million in FY06. The figure in the table above reflects the midpoint of the estimated range.

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, non-store retailers. The LFO assumes that 96% to 98% of the items purchased in these subsectors have a selling price of \$50,000 or less, normal sales activity for items \$2,500 and less doubled on the sales tax holiday, the percentage of non-business retail sales increased to 75% for the sales tax holiday, that purchases of items greater than \$2,500 and no more than \$50,000 would reflect as few as 2 days of purchases and no more than 6 days of such purchases, and that taxpayers taking advantage of the holiday would primarily purchase items within the retail subsectors identified. This legislation would allow for the purchase boats or aircraft less than \$50,000, and would also include higher priced jewelry, big screen or high definition televisions, and high end computers. Based on this information and assumptions, the LFO estimates that the proposed legislation would result in a State General Fund revenue loss between \$3.3 million and \$3.9 million. The calculation is made as follows: (((average daily sales of \$56,742,000 X 2) X .75 nonbusiness retail sales) X .95 to .98 for percentage equal to or less than \$50,000) X .04 = \$3.3 million). This amount would reflect 2 days of purchases on all items occurring on a single day. If only 2 days of purchases occur on the holiday for items \$2,500 or less and as much as 6 days of purchases occur on the holiday for items greater than \$2,500 but no more than \$50,000, SGF loss would be \$3.9 million. Although the potential value of items subject to the holiday add some uncertainty to the estimate, the LFO believes that the preponderance of sales will be for items less than \$2,500.

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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