F I S C A L I M P A C T R E P O R T

SPONSOR Ingle **DATE TYPED** 02/21/05 **HB**

SHORT TITLE 3 Day Personal Property Sale Gross Receipts **SB** 781

ANALYST Padilla-Jackson

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
	($2,100.0)	Similar	Recurring	General Fund
	($1,340.0)	Similar	Recurring	Local Governments

(Parenthesis ( ) Indicate Revenue Decreases)

Related to Senate Bill 378

SOURCES OF INFORMATION
LFC Files

Responses Received From
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

Senate Bill 781 would institute a gross receipts tax deduction for receipts from the sales of certain goods that occur during the first weekend in August of each year. Eligible goods include:

- Clothes or shoes (for humans) costing less than $100 per article. This excludes athletic or protective clothing and accessories, such as jewelry, handbags, luggage, umbrellas, and watches;
- A desktop or laptop computer costing no more than $1,000 and monitor, speaker, printer, keyboard, microphone or mouse costing no more than $500 per device; and
- School supplies used for educational purposes, excluding watches, radios, CDs, headphones sporting equipment, telephones, copiers, office equipment, furniture, or fixtures.

The effective date of the provisions of this bill is July 1, 2005.

Significant Issues

The gross receipts "tax holiday", as this has been called, would arguably provide fiscal relief to family back-to-school expenses. That said, the tax relief is not explicitly targeted and would provide a tax relief to a broad range of consumers.

FISCAL IMPLICATIONS

TRD estimates the fiscal impact to be -$3.44 million, of which -$2.1 million would impact the general fund and -$1.34 million which would impact local governments. Assuming a gross receipts tax rate of 6.5 percent, the fiscal impact estimate implies approximately $53 million in eligible receipts. TRD's fiscal impacts are based on analysis of the Department's "Analysis of Gross Receipts Tax by Industrial Classification" and also by reference to the fiscal impacts of sales tax holidays reported by other states adjusted for population, income levels, and tax rates.

Note, estimating the fiscal impact is difficult, since it is difficult to account for strategic taxpayer behavior. Given that the holiday is set to occur every year, many taxpayers will learn to time their purchases of apparel and computers to fall during that weekend. Similarly, merchants may time or postpone sales so that they do not fall during the tax holiday weekend.

ADMINISTRATIVE IMPLICATIONS

TRD anticipates the need for instruction and publication changes, taxpayer outreach, staff education, development of audit and compliance procedures.

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