

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6354

BILL NUMBER: SB 355

DATE PREPARED: Nov 16, 2000

BILL AMENDED:

SUBJECT: Sales Tax Holiday for Clothing Purchases.

FISCAL ANALYST: John Parkey

PHONE NUMBER: 232-9854

FUNDS AFFECTED: **GENERAL**
 DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill provides a sales tax exemption for an article of clothing that is: (1) priced less than \$100; and (2) purchased during the seven day period beginning on the first Friday in August and ending on the following Thursday.

Effective Date: July 1, 2001.

Explanation of State Expenditures:

Explanation of State Revenues: This proposal will result in a reduction of revenue collected from the Gross Retail (Sales) Tax. Based on historical data from the Bureau of Labor Statistics, *Consumer Expenditure Survey*, it is estimated that the sales tax on clothing under \$100 generates about \$441,000 in Sales Tax revenue each day in August. This exemption will last for seven days resulting in an expected loss of revenue of approximately \$3.1 M in FY 2002.

This estimate is based on historical data and projected growth. It does not consider any increased sales that may result from any incentive caused by the proposed exemption. The loss of sales tax revenue may be partially mitigated by increased taxable sales of other items, such as meals or other taxable items not included in this exemption.

Gross Retail (Sales) and Use taxes are deposited in the State General Fund (59.03%), the Property Tax Replacement Fund (40%), the Public Mass Transportation Fund (0.76%), the Industrial Rail Service Loan Fund (0.04%), and the Commuter Rail Service Fund (0.17%).

The reductions in these funds for FY 2002 are estimated to be:

State General Fund:	\$ 1,822,594
Property Tax Replacement Fund:	\$ 1,235,029
Public Mass Transportation Fund:	\$ 23,466
Industrial Rail Service Fund:	\$ 1,235
Commuter Rail Service Fund:	<u>\$ 5,249</u>
Total	\$ 3,087,573

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: U.S. Bureau of Labor Statistics, *Consumer Expenditure Survey*; U.S. Census Bureau.