

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7179

BILL NUMBER: HB 1259

NOTE PREPARED: Jan 4, 2007

BILL AMENDED:

SUBJECT: Sales Tax holiday.

FIRST AUTHOR: Rep. Crooks

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: GENERAL
 DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: This bill provides a Sales Tax exemption for clothing, clothing accessories, school instructional material, and school supplies that are purchased during the seven-day period from July 25th through July 31st.

Effective Date: April 1, 2007 (retroactive).

Explanation of State Expenditures:

Explanation of State Revenues: This bill will cause a decrease in Sales Tax collections of approximately \$13.8 M in FY 2008 and \$14.4 M in FY 2009.

The bill provides a Sales Tax exemption for back-to-school purchases during the seven-day period beginning annually on July 25th at 12:01 A.M. and ending July 31st at 11:59 P.M. The bill also provides that the exemption only applies to items that are priced at \$50 or below.

The first table below shows the revenue lost from each category of purchases that are exempted in the bill. The second table shows the impact on the funds included in the Sales Tax distribution.

Item Exempted (priced under \$50)	FY 2008 (in millions)	FY 2009 (in millions)
Back-to-School Clothing & Clothing accessories	\$4.3	\$4.4
K-12 School Supplies	\$6.1	\$6.2
College Textbooks	\$2.1	\$2.4
College School Supplies	\$1.3	\$1.4
TOTAL	\$13.8	\$14.4

Fund	FY 2008 (in millions)	FY 2009 (in millions)
General Fund	\$6.78	\$7.07
Property Tax Replacement Fund	\$6.89	\$7.19
Public Mass Transportation Fund	\$0.088	\$0.091
Industrial Rail Service Fund	\$0.005	\$0.005
Commuter Rail Service Fund	\$0.019	\$0.020
TOTAL	\$13.8	\$14.4

Estimation Issues: Please note that the estimated revenue impact above assumes that 85% of all clothing and clothing accessory purchases, and 40% of all textbook purchases are below the price ceiling of \$50 contained in the bill.

Also note that the April 1, 2007, effective date of this proposal does not change the fiscal impact of this legislation, but is needed to ensure compliance with the Streamline Sales Tax Agreement (as adopted August 30, 2006) Section 304, which provides that member states should make a reasonable effort to "limit the effective date of a rate change to the first day of a calendar quarter."

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources:

Fiscal Analyst: Adam Brown, 317-232-9854.