

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

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 6844**

**BILL NUMBER: HB 1465**

**DATE PREPARED: Jan 1, 1999**

**BILL AMENDED:**

**SUBJECT:** Sales tax moratorium.

**FISCAL ANALYST:** Jim Mundt

**PHONE NUMBER:** 232-9858

**FUNDS AFFECTED:**  **GENERAL**  
 **DEDICATED**  
**FEDERAL**

**IMPACT:** State

**Summary of Legislation:** This bill provides a sales tax exemption for clothing priced less than \$50 and purchased after August 15 and before the first Tuesday after Labor Day. It provides that the sales tax for clothing priced at least \$50 and less than \$500 is computed after subtracting \$50 from the purchase price. It also limits a customer to \$500 of exempt purchases per visit to a particular retail merchant's location.

**Effective Date:** July 1, 1999.

**Explanation of State Expenditures:**

**Explanation of State Revenues:** This proposal will result in a reduction in revenue from the gross retail (sales) tax. Based on sales of clothing in 1997, it is estimated that there were approximately \$1.75 billion in taxable receipts from clothing sales in FY 98. This does not include various accessory items which are not covered by this bill. This bill would exempt sales for a period of 22 days. Applying the applicable sales tax rate (5%) for that time period results in estimated tax receipts of about \$5.3 million for FY 98.

The first year of impact for this proposal would be FY 2000. Applying the applicable growth rates for sales tax used in the most recent revenue forecast results in an estimated loss of revenue of \$5.8 million for FY 2000 and \$6.1 million for FY 2001. These estimates may be higher than the actual loss because it includes all sales and does not adjust for sales prices of clothing which exceed \$500.

Gross retail (sales) and use taxes are deposited in the State General Fund (59.2%), the Property Tax Replacement Fund (40%), the Public Mass Transportation Fund (0.76%), and the Industrial Rail Service Loan Fund (0.04%).

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of State Revenue.

**Local Agencies Affected:**

**Information Sources:** *Statistical Abstract of the United States, 1997*; Indiana Department of State Revenue Sales Tax statistics, 1997, State Revenue Forecast, December 17, 1998.