

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

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6631
BILL NUMBER: HB 1402

DATE PREPARED: Jan 6, 2000
BILL AMENDED:

SUBJECT: Sales Tax moratorium.

FISCAL ANALYST: Jim Mundt
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FUNDS AFFECTED: GENERAL
 DEDICATED
FEDERAL

IMPACT: State

STATE IMPACT	FY 2000	FY 2001	FY 2002
State Revenues		(540,000)	
State Expenditures			
Net Increase (Decrease)		(540,000)	

Summary of Legislation: This bill provides a Sales Tax exemption for clothing priced less than \$100 that is purchased after August 3, 2000, and before August 7, 2000.

Effective Date: July 1, 2000.

Explanation of State Expenditures:

Explanation of State Revenues: (Revised) This proposal will result in a reduction of revenue received from the Gross Retail (Sales) Tax. Based on 1997 Sales Tax data, it is estimated that the sales tax on all clothing and accessories generates about \$240,000 in Sales Tax revenue per day in August. Adjusting this amount so that only sales of clothing allowed as exempt by this proposal and limited to prices less than \$100 results in an impact of \$180,000 per day. This results in an expected loss of revenue of approximately \$540,000 in FY 2001.

These estimates are based on historical data and estimated growth without consideration of potential increased sales resulting from any incentive created by the proposed exemption. The loss of revenue may be mitigated by increased taxable sales of other items (such as meals and other taxable items) resulting from the incentive caused by the proposed 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 to these funds for FY 2001 are estimated to be:

State General Fund:	\$ 318,762
Property Tax Replacement Fund:	\$ 216,000
Public Mass Transportation Fund:	\$ 4,104
Industrial Rail Service Loan Fund:	\$ 216
Commuter Rail Service Fund:	\$ 918
Total	\$ 540,000

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: Department of State Revenue Sales Tax Collection Data, 1997; Tom Conley, 232-2107.