

# GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

## Legislative Fiscal Note

**BILL NUMBER:** House Bill 477 (First Edition)

**SHORT TITLE:** Tax Free Shopping Weekend Post-Thanksgiving.

**SPONSOR(S):** Representative Moore

### FISCAL IMPACT

Yes ( )      No ( )      No Estimate Available (X)

[\$ millions]

FY 2007-08    FY 2008-09    FY 2009-10    FY 2010-11    FY 2011-12

**REVENUES**                      No estimate available: see Assumptions & Methodology

**PRINCIPAL DEPARTMENT(S) &  
PROGRAM(S) AFFECTED:** Department of Revenue

**EFFECTIVE DATE:** October 1, 2007

**BILL SUMMARY:** House Bill 477 creates a three-day sales tax holiday for the weekend directly following the Thanksgiving holiday. The following items would be exempt from State sales tax during the holiday:

- Clothing with a sales price of one hundred dollars (\$100.00) or less per item
- School supplies with a sales price of one hundred dollars (\$100.00) or less per item.
- Computers with a sales price of three thousand five hundred dollars (\$3,500) or less per item.
- Computer supplies with a sales price of two hundred fifty dollars (\$250.00) or less per item.
- Sport or recreational equipment with a sales price of fifty dollars (\$50.00) or less per item.

Sales of clothing accessories or equipment, protective equipment, furniture, rentals, and items for use in a trade or business would not be exempt during the sales tax holiday.

**ASSUMPTIONS AND METHODOLOGY:** Aside from its timing, the sales tax holiday created by House Bill 477 is essentially the same as the existing August sales tax holiday created by G.S. 105-164.13C. Actual figures on the amount of revenue lost due to sales tax holidays are not available because retailers do not report tax-free sales related to the sales tax holiday to the Department of Revenue separately from their other tax-free sales. Nor do retailers report any of their sales to the Department sales by the type of product sold.

A Federation of Tax Administrators survey updated in 2006 shows that 12 states currently observe a sales tax holiday on certain products. Most holidays range from two to seven days, with the exception of Connecticut, which is currently observing a 13-month sales tax holiday on residential weatherization and energy-efficiency products and energy-efficient heating equipment. Both Florida and South Carolina observe multiple sales tax holidays. Florida exempts the purchase of hurricane supplies during one weekend in May, school supplies during one weekend in July, and energy-efficient appliances during one weekend in October. South Carolina exempts the sale of school supplies during one weekend in August, and in 2006 the state held a one-time sales tax holiday over the Thanksgiving holiday weekend that exempted all items under their state sales tax, which included electricity sales and several service categories not covered under North Carolina tax law. No reliable estimates on the fiscal impact of these tax holidays are available, and there is no useable data on tax-exempt sales during these holidays due to the aforementioned lack of necessary retailer reporting.

These tax holidays are not comparable to the House Bill 477 proposal for several reasons. In the case of Florida, the holidays exempt different categories of items at different times of the year than would House Bill 477. In the case of South Carolina, the Thanksgiving sales tax holiday exemption was so broad that even if reliable data on its fiscal impact was available, it would not assist Fiscal Research in the development of an estimate because it would not provide the necessary detail to separate out sales of items that would be exempt under this proposal. As a final note, statistical analysis of sales immediately preceding and following the Thanksgiving holiday would be flawed because there are far more external factors affecting consumption behavior during this time period than could be controlled for. The weekend after Thanksgiving is one of the most popular shopping holidays of the calendar year, and it is possible that the impact of any sales tax holiday during this time could be very significant.

**SOURCES OF DATA:** Department of Revenue

**TECHNICAL CONSIDERATIONS:** None

**FISCAL RESEARCH DIVISION:** (919) 733-4910

**PREPARED BY:** Brenna Erford

**APPROVED BY:** Lynn Muchmore, Director  
Fiscal Research Division

**DATE:** March 30, 2007



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