

HCS HB 64 -- SALES AND USE TAX HOLIDAY

SPONSOR: Sutherland

COMMITTEE ACTION: Voted "do pass" by the Committee on Ways and Means by a vote of 14 to 1.

This substitute extends the current state and local sales and use tax holiday for certain clothing, personal computers, and school supplies purchased during a three-day period each August. For the 2005 sales tax holiday, the ability for local governments to opt out of the holiday is limited to those that opted out of the 2004 sales tax holiday. After the 2005 sales tax holiday, voter approval is required for any political subdivision to opt out of the holiday.

The substitute contains an emergency clause.

FISCAL NOTE: Estimated Cost on General Revenue Fund of \$1,830,250 in FY 2006, \$1,846,710 in FY 2007, and \$1,883,644 in FY 2008. Estimated Cost on Other State Funds of \$739,500 in FY 2006, \$754,290 in FY 2007, and \$769,376 in FY 2008.

PROPOSERS: Supporters say that the bill will extend the sales tax holiday into future years with some changes. Some stores claim they had the highest sales days of the year, next to the Thanksgiving weekend sales. The bill helps capture sales for traditional retailers instead of internet retailers. Missouri picked up sales from border states during the tax holiday, and shoppers also purchased gas, food, and other items while shopping.

Testifying for the bill were Representative Sutherland; and Missouri Retailers Association.

OPPOSERS: Those who oppose the bill say that sales taxes are a major source of revenue for counties and cities, and a sales tax holiday limits the ability of local governments to provide essential government services, many of which are required by state statutes. Unlike the state, county budgets are on a calendar year basis; and therefore, the 2005 budget is already adopted. Local governments need the ability to opt in rather than opt out of the holiday.

Testifying against the bill were Missouri Municipal League; Cooper County Presiding Commissioner; Missouri Association of Counties; and County Commissioners Association of Missouri.

OTHERS: Others testifying on the bill say that the 2004 sales tax holiday was a success. A written study and slide show was presented including news clips from tax holiday shoppers.

Others testifying on the bill was Missouri Chamber of Commerce

and Industry.

Karla Strobel, Legislative Analyst