

Multiple Agency Fiscal Note Summary

Bill Number: 1559 HB	Title: Back-to-school supplies/tax
-----------------------------	---

Estimated Cash Receipts

Agency Name	2019-21		2021-23		2023-25	
	GF- State	Total	GF- State	Total	GF- State	Total
Department of Revenue	(91,454,000)	(91,600,000)	(92,352,000)	(92,500,000)	(93,350,000)	(93,500,000)
Total \$	(91,454,000)	(91,600,000)	(92,352,000)	(92,500,000)	(93,350,000)	(93,500,000)

Local Gov. Courts *						
Loc School dist-SPI						
Local Gov. Other **		(39,501,000)		(39,897,000)		(40,293,000)
Local Gov. Total		(39,501,000)		(39,897,000)		(40,293,000)

Estimated Operating Expenditures

Agency Name	2019-21			2021-23			2023-25		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Department of Revenue	1.3	224,500	224,500	.6	97,400	97,400	.5	79,800	79,800
Total \$	1.3	224,500	224,500	0.6	97,400	97,400	0.5	79,800	79,800

Estimated Capital Budget Expenditures

Agency Name	2019-21			2021-23			2023-25		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Estimated Capital Budget Breakout

NONE

Prepared by: Kathy Cody, OFM	Phone: (360) 902-9822	Date Published: Final 2/14/2019
-------------------------------------	---------------------------------	---

* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

FNPID: 55784

FNS029 Multi Agency rollup

Department of Revenue Fiscal Note

Bill Number: 1559 HB	Title: Back-to-school supplies/tax	Agency: 140-Department of Revenue
-----------------------------	---	--

Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

Account	FY 2020	FY 2021	2019-21	2021-23	2023-25
GF-STATE-State 01 - Taxes 01 - Retail Sales Tax	(45,627,000)	(45,827,000)	(91,454,000)	(92,352,000)	(93,350,000)
Performance Audits of Government Account-State 01 - Taxes 01 - Retail Sales Tax	(73,000)	(73,000)	(146,000)	(148,000)	(150,000)
Total \$	(45,700,000)	(45,900,000)	(91,600,000)	(92,500,000)	(93,500,000)

Estimated Expenditures from:

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years	1.5	1.0	1.3	0.6	0.5
Account					
GF-STATE-State 001-1	141,500	83,000	224,500	97,400	79,800
Total \$	141,500	83,000	224,500	97,400	79,800

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact: Rachelle Harris	Phone: 360-786-7137	Date: 02/05/2019
Agency Preparation: Marianne McIntosh	Phone: 360-534-1505	Date: 02/14/2019
Agency Approval: Don Gutmann	Phone: 360-534-1510	Date: 02/14/2019
OFM Review: Kathy Cody	Phone: (360) 902-9822	Date: 02/14/2019

Request # 1559-1-1

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

This bill provides a sales and use tax exemption on the second adjacent Friday, Saturday, and Sunday in August on purchases of clothing items under \$100 and school supply items less than \$10.

The exemption expires January 1, 2030.

The bill takes effect 90 days after final adjournment of the session in which it is enacted.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

ASSUMPTIONS

- Annual growth for student enrollment is 0.5%.
- Majority of school clothing and supplies would be purchased during the tax free holiday weekend.
- Clothing definition includes footwear.
- Sales and use tax exemption is available to anyone purchasing clothing under \$100 and school supplies under \$10.
- Average school supply amount included backpacks. Decreased this amount by an average backpack price of \$40.
- Exemption is available to all persons who purchase qualifying items.
- Georgia State University published a study on sales tax holidays in 2011. The study estimates the state sales tax holiday costs the state \$36 to \$50 million annually. Clothing, school supplies, and computers are included in the sales tax holiday. Georgia's state sales tax rate is 4%, 2.5% less than Washington's state tax rate. To adjust for Washington's retail sales tax rate, the state impact range would be \$59 to \$81million. This range includes computers which are not included in HB 1559 (2018) and this fiscal note.

DATA SOURCES

- National Retail Federation,
<https://nrf.com/media-center/press-releases/back-school-and-college-spending-reach-828-billion>
- Georgia Budget & Policy Institute, <https://gbpi.org/2015/time-to-retire-georgias-sales-tax-holidays/>
- Georgia State University, "Sales Tax Holidays and Revenue Effects in Georgia" March 2011;
https://cslf.gsu.edu/files/2014/06/sales_tax_holidays_and_revenue_effects_in_georgia.pdf
- Office of Financial Management, Enrollment forecast
- Office of Superintendent of Public Instruction

REVENUE ESTIMATES

This bill decreases state revenues by an estimated \$45.7 million in Fiscal Year 2020 the first full year of impacted collections. This bill also decreases local revenues by an estimated \$19.9 million in Fiscal Year 2020, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

- FY 2020 - (\$ 45,700)
- FY 2021 - (\$ 45,900)
- FY 2022 - (\$ 46,100)
- FY 2023 - (\$ 46,400)
- FY 2024 - (\$ 46,600)

FY 2025 - (\$ 46,900)

Local Government, if applicable (cash basis, \$000):

FY 2020 - (\$ 19,900)

FY 2021 - (\$ 20,000)

FY 2022 - (\$ 20,100)

FY 2023 - (\$ 20,200)

FY 2024 - (\$ 20,300)

FY 2025 - (\$ 20,400)

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

ASSUMPTIONS:

This bill affects 7500 taxpayers.

FIRST YEAR COSTS:

The Department of Revenue (Department) will incur total costs of \$141,500 in Fiscal Year 2020. These costs include:

Labor Costs – Time and effort equates to 1.51 FTEs.

- Answer phone calls and counter inquiries; assist with tax questions and tax return preparation from businesses.
- Create special notices and identify publications and information that need to be created or updated.
- Resolve error and out of balance and amended returns; respond to secure messages and correspondence.
- Gather requirements and test system changes; coordinate user acceptance testing.
- Adopt one ETA.

Object Costs - \$10,200.

- Print and mail a special notice to affected taxpayers
- Implement and test system changes.

SECOND YEAR COSTS:

The Department will incur total costs of \$83,000 in Fiscal Year 2021. These costs include:

Labor Costs – Time and effort equates to 1.0 FTEs.

- Perform field audits.
- Answer phone calls and counter inquiries; assist with tax questions and tax return preparation from businesses.
- Resolve error and out of balance and amended returns; respond to secure messages and correspondence.

ONGOING COSTS:

Ongoing costs for the 2021-2023 Biennium equal \$97,400 and include similar activities described in the second year costs.

Time and effort equates to 0.6 FTEs.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years	1.5	1.0	1.3	0.6	0.5
A-Salaries and Wages	80,600	50,900	131,500	61,700	50,000
B-Employee Benefits	24,100	15,300	39,400	18,500	15,000
C-Professional Service Contracts	8,800		8,800		
E-Goods and Other Services	18,400	10,900	29,300	12,000	10,000
G-Travel		1,400	1,400	2,800	2,800
J-Capital Outlays	9,600	4,500	14,100	2,400	2,000
Total \$	\$141,500	\$83,000	\$224,500	\$97,400	\$79,800

III. B - Detail: List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA

Job Classification	Salary	FY 2020	FY 2021	2019-21	2021-23	2023-25
EMS BAND 4	115,593	0.0		0.0		
EMS BAND 5	135,039	0.0		0.0		
EXCISE TAX EX 3	56,256	0.2	0.1	0.2	0.1	
MGMT ANALYST1	45,096	0.0		0.0		
MGMT ANALYST4	63,684	0.3		0.2		
REVENUE AGENT 2	52,332		0.4	0.2	0.4	0.4
TAX INFO SPEC 1	40,908	0.5	0.3	0.4	0.1	0.1
TAX INFO SPEC 4	60,636	0.4	0.2	0.3	0.1	
TAX POLICY SP 2	68,580	0.0		0.0		
TAX POLICY SP 3	77,616	0.1		0.0		
TAX POLICY SP 4	83,556	0.0		0.0		
WMS BAND 3	98,308	0.0		0.0		
Total FTEs		1.5	1.0	1.3	0.6	0.5

Part IV: Capital Budget Impact

None.

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Should this legislation become law, the Department will use the ETC process to adopt ETA 3XXX, titled: "New ETA regarding exemption". Persons affected by this rule-making would include businesses that sell school supplies and clothing.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 1559 HB	Title: Back-to-school supplies/tax
-----------------------------	---

Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

☒ Cities: Revenue loss due to tax holiday

☒ Counties: Same as above

☒ Special Districts: Same as Above

☐ Specific jurisdictions only:

☐ Variance occurs due to:

Part II: Estimates

☐ No fiscal impacts.

☐ Expenditures represent one-time costs:

☐ Legislation provides local option:

☐ Key variables cannot be estimated with certainty at this time:

Estimated revenue impacts to:

Jurisdiction	FY 2020	FY 2021	2019-21	2021-23	2023-25
City	(6,450,107)	(6,482,520)	(12,932,627)	(13,062,278)	(13,191,928)
County	(6,704,250)	(6,737,940)	(13,442,190)	(13,576,949)	(13,711,708)
Special District	(6,546,643)	(6,579,540)	(13,126,183)	(13,257,773)	(13,389,364)
TOTAL \$	(19,701,000)	(19,800,000)	(39,501,000)	(39,897,000)	(40,293,000)
GRAND TOTAL \$	(119,691,000)				

Estimated expenditure impacts to:

None

Part III: Preparation and Approval

Fiscal Note Analyst: Tom Gilmore	Phone: 360-725-5038	Date: 02/14/2019
Leg. Committee Contact: Rachelle Harris	Phone: 360-786-7137	Date: 02/05/2019
Agency Approval: Renee Martine-Tebow	Phone: 360-725-5045	Date: 02/14/2019
OFM Review: Kathy Cody	Phone: (360) 902-9822	Date: 02/14/2019

Part IV: Analysis

A. SUMMARY OF BILL

Provide a clear, succinct description of the bill with an emphasis on how it impacts local government.

This bill would provide a sales and use tax exemption on the second adjacent Friday, Saturday, and Sunday in August on purchases of clothing items under \$100 and school supply items less than \$10.

This exemption would expire January 1, 2030.

This bill would take effect 90 days after final adjournment of the session in which it is enacted.

B. SUMMARY OF EXPENDITURE IMPACTS

Briefly describe and quantify the expenditure impacts of the legislation on local governments, identifying the expenditure provisions by section number, and when appropriate, the detail of expenditures. Delineate between city, county and special district impacts.

This bill would not impact local government expenditures.

C. SUMMARY OF REVENUE IMPACTS

Briefly describe and quantify the revenue impacts of the legislation on local governments, identifying the revenue provisions by section number, and when appropriate, the detail of revenue sources. Delineate between city, county and special district impacts.

This bill would have a significant impact on local government revenues, beginning in fiscal year 2020 the impact would be nearly \$20 million and would grow gradually each following year.

LOCAL GOVERNMENT REVENUE IMPACT:

Counties:

FY 2020 -	(\$ 6,704,250)
FY 2021 -	(\$ 6,737,940)
FY 2022 -	(\$ 6,771,630)
FY 2023 -	(\$ 6,805,319)
FY 2024 -	(\$ 6,839,009)
FY 2025 -	(\$ 6,872,699)

Cities and Towns:

FY 2020 -	(\$ 6,450,107)
FY 2021 -	(\$ 6,482,520)
FY 2022 -	(\$ 6,514,933)
FY 2023 -	(\$ 6,547,345)
FY 2024 -	(\$ 6,579,758)
FY 2025 -	(\$ 6,612,170)

Special Districts:

FY 2020 -	(\$ 6,546,642)
FY 2021 -	(\$ 6,579,540)
FY 2022 -	(\$ 6,612,438)
FY 2023 -	(\$ 6,645,335)
FY 2024 -	(\$ 6,678,233)
FY 2025 -	(\$ 6,711,131)

METHODOLOGY:

The distributions in this note for cities, counties, and special districts are based on DOR data for local sales and use tax distributions from Calendar Year 2015. Mitigation payments and distributions to hospital benefit zones are not factored into this distribution. This results in a distribution of 34.03 percent to counties, 32.74 percent to cities, and 33.23 percent to special districts. The one percent DOR administrative fee has also been accounted for.

Note: School district impacts, including construction costs, operating costs, levy shifts, and other revenue impacts are described in fiscal notes prepared by the OSPI School District Fiscal Note process. Local Government Fiscal Notes include impacts to all other local

governments (cities, counties, special districts).

SOURCES:

Department of Revenue fiscal note

Department of Revenue Local Tax Distributions (2016)

Local Government Fiscal Note program "Local Sales Tax" model (2019)

Local Government Fiscal Note program "Sales and Use Tax Distribution" model (2019)