

A Mixed Victory for 'Tax-Free Weeks' in Florida & New York

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They can boost retailers' sales and make shoppers happy. But establishing a "tax-free week" to exempt certain items from sales taxes, as Florida and New York have tried recently, can present policy-makers with a mixed bag of goods.

Merchants may even find the tax breaks more trouble than they're worth. In August, Florida offered shoppers a one-week exemption from the state's 6 percent sales tax for purchases of everyday clothes and shoes priced at \$50 or less. Since the exemption did not apply to such items as ties but did apply to such purchases as tuxedos, shopkeepers found the exemption a hassle.

For more than a month the DOR held seminars to educate retailers on the specifics of tax-free week. "The department tried to anticipate the situations that retailers might face in handling sales transactions," said David Roberts, vice president of governmental affairs for the Florida Retail Federation. Preliminary estimates indicate a considerable rise in the sale of exempted items during the tax-free week.

New York State has been through four no-tax weeks in the past two years. With retailers, especially those in New York City, losing sales to New Jersey, where sales taxes are lower, the tax-free weeks kept New Yorkers in New York stores. Retailers there reported dramatic increases in sales, and although the fiscal impact of Florida's first tax-relief week won't be known until a sales report is released, it is likely that the flow of back-to-school shopping and purchasers ready to benefit from tax exempt items also raised sales.

Despite the sales boost, John Mikesell, a tax specialist at the University of Indiana, doesn't like the breaks. "These short term things are pure politics, bad tax policy, and bad economics," he says. "Short-term exemptions make quality administration more difficult. A permanent, lower tax rate on all consumption expenditures makes far more sense."

New York legislators are, apparently, in accord. As of December 1999, the state will be implementing a permanent tax exemption on clothing and footwear \$110 or less.