

Boal
Sukup
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HSB 651

WAYS AND MEANS

SUCCESS
SF 1/1

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CHAIRPERSON VAN FOSSEN)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to a sales and use tax exemption for the sales of
2 clothing and footwear for a limited time period annually and
3 including an effective date.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. Section 422.45, Code Supplement 1999, is
2 amended by adding the following new subsection:

3 NEW SUBSECTION. 57. a. The gross receipts from the sale
4 of an article of clothing or footwear designed to be worn on
5 or about the human body if all of the following apply:

6 (1) The sales price of the article is less than one
7 hundred dollars.

8 (2) The sale takes place during a period beginning at
9 12:01 a.m. on the first Friday in August and ending at
10 midnight on the following Sunday.

11 b. This subsection does not apply to any of the following:

12 (1) Special clothing or footwear that is primarily
13 designed for athletic activity or protective use and that is
14 not normally worn except when used for the athletic activity
15 or protective use for which it is designed.

16 (2) Accessories, including jewelry, handbags, luggage,
17 umbrellas, wallets, watches, and similar items carried on or
18 about the human body, without regard to whether worn on the
19 body in a manner characteristic of clothing.

20 (3) The rental of clothing or footwear.

21 c. The board of supervisors of a county that has imposed
22 or will impose a local sales and services tax under chapter
23 422B or 422E may nullify the application of the exemption in
24 this subsection to its local sales and services tax at any
25 time prior to the exemption becoming applicable in a calendar
26 year as follows:

27 (1) A public hearing on the question of the nullification
28 of the application of the exemption in this subsection is held
29 prior to the vote of the board of supervisors.

30 (2) An ordinance to nullify the application of the
31 exemption in this subsection is enacted by a majority vote of
32 the members of the board of supervisors.

33 (3) The public hearing and the vote on the ordinance as
34 required in subparagraphs (1) and (2) are held not later than
35 July 1.

1 (4) An ordinance to nullify the application of the
2 exemption in this subsection once enacted continues to apply
3 until the ordinance is repealed in a manner similar to the
4 enactment of the ordinance.

5 Notice of the enactment or repeal of an ordinance pursuant
6 to this paragraph shall be sent to the department of revenue
7 and finance no later than July 10 of the calendar year in
8 which it first applies.

9 Sec. 2. EFFECTIVE DATE. This Act, being deemed of
10 immediate importance, takes effect upon enactment.

11 EXPLANATION

12 This bill provides for a sales and use tax exemption for
13 clothing and footwear purchased on the first Friday, Saturday,
14 and Sunday of August in each year. The exemption only applies
15 if the article of clothing or footwear purchased costs less
16 than \$100. The exemption does not apply to special clothing
17 or footwear that is primarily designed for athletic or
18 protective use, to accessories such as jewelry, watches,
19 handbags, and wallets, or to the rental of clothing or
20 footwear.

21 The exemption would apply to local sales and services taxes
22 unless the board of supervisors enacts an ordinance that
23 specifies the exemption is not applicable to its local sales
24 and services tax. A public hearing on this ordinance must be
25 held prior to the taking of the vote.

26 The bill takes effect upon enactment.

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S-3/7/00 W & Means
S-3/28/00 Do Pass

FEB 21 2000
WAYS & MEANS CALENDAR

HOUSE FILE **2351**
BY COMMITTEE ON WAYS AND MEANS
(SUCCESSOR TO HSB 651)

Passed House, Date 3-7-00 (P. 575) Passed Senate, Date 4/25/00 (P. 1355)
Vote: Ayes 84 Nays 14 Vote: Ayes 36 Nays 12
Approved 5/26/00

Re-passed 4-25-00
Vote 85-14

(P. 1788)

A BILL FOR

1 An Act relating to a sales and use tax exemption for the sales of
2 clothing and footwear for a limited time period annually and
3 including an effective date.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

SENATE AMENDMENT TO HOUSE FILE 2351

H-9086

1 Amend House File 2351, as passed by the House, as
2 follows:
3 1. Page 1, line 10, by striking the word "Sunday"
4 and inserting the following: "Saturday".
5 2. Page 1, by inserting after line 20 the
6 following:
7 "Sec. _____. During the regular session of the
8 general assembly convening in 2002, the appropriate
9 committees shall review the impact that the exemption
10 enacted in section 1 of this Act has had in the
11 economy and tax revenues of the state. After
12 reviewing such impact, the appropriate committees
13 shall consider the benefits of expanding the exemption
14 enacted in section 1 of this Act to apply to sales of
15 articles of clothing and footwear regardless of when
16 such sales take place."
17 3. By renumbering, relettering, or redesignating
18 and correcting internal references as necessary.

RECEIVED FROM THE SENATE

H-9086 FILED APRIL 25, 2000

House Concurred 4/25/00 (P. 1787)

HF 2351

1 Section 1. Section 422.45, Code Supplement 1999, is
2 amended by adding the following new subsection:

3 NEW SUBSECTION. 57. a. The gross receipts from the sale
4 of an article of clothing or footwear designed to be worn on
5 or about the human body if all of the following apply:

6 (1) The sales price of the article is less than one
7 hundred dollars.

8 (2) The sale takes place during a period beginning at
9 12:01 a.m. on the first Friday in August and ending at
10 midnight on the following Sunday.

11 b. This subsection does not apply to any of the following:

12 (1) Special clothing or footwear that is primarily
13 designed for athletic activity or protective use and that is
14 not normally worn except when used for the athletic activity
15 or protective use for which it is designed.

16 (2) Accessories, including jewelry, handbags, luggage,
17 umbrellas, wallets, watches, and similar items carried on or
18 about the human body, without regard to whether worn on the
19 body in a manner characteristic of clothing.

20 (3) The rental of clothing or footwear.

21 Sec. 2. EFFECTIVE DATE. This Act, being deemed of
22 immediate importance, takes effect upon enactment.

23 EXPLANATION

24 This bill provides for a sales and use tax exemption for
25 clothing and footwear purchased on the first Friday, Saturday,
26 and Sunday of August in each year. The exemption only applies
27 if the article of clothing or footwear purchased costs less
28 than \$100. The exemption does not apply to special clothing
29 or footwear that is primarily designed for athletic or
30 protective use, to accessories such as jewelry, watches,
31 handbags, and wallets, or to the rental of clothing or
32 footwear. The exemption would apply to local sales and
33 services taxes.

34 The bill takes effect upon enactment.

35

HOUSE FILE 2351

S-5442

1 Amend House File 2351, as passed by the House, as
2 follows:

3 1. Page 1, by inserting before line 1 the
4 following:

5 "Section 1. 1997 Iowa Acts, chapter 158, is
6 amended by adding the following new section:

7 NEW SECTION. SEC. 54. RETROACTIVE APPLICABILITY.
8 Sections 14, 18, and 19 of this Act, amending sections
9 422.42, 422.45, subsection 39, and 422.47, relating to
10 aquaculture production, apply retroactively to April
11 1, 1987.

12 Sec. 2. Section 422.42, subsection 14, Code
13 Supplement 1999, is amended to read as follows:

14 14. "Retail sale" or "sale at retail" means the
15 sale to a consumer or to any person for any purpose,
16 other than for processing, for resale of tangible
17 personal property or taxable services, or for resale
18 of tangible personal property in connection with
19 taxable services; and includes the sale of gas,
20 electricity, water, and communication service to
21 retail consumers or users; but does not include
22 agricultural breeding livestock and domesticated fowl;
23 does not include aquacultural breeding stock; and does
24 not include commercial fertilizer, agricultural
25 limestone, herbicide, pesticide, insecticide,
26 including adjuvants, surfactants, and other products
27 directly related to the application enhancement of
28 those products, and food, medication, or agricultural
29 drain tile, including installation of agricultural
30 drain tile, any of which are to be used in disease
31 control, weed control, insect control, or health
32 promotion of plants or livestock produced as part of
33 agricultural production for market; and does not
34 include electricity, steam, or any taxable service
35 when purchased and used in the processing of tangible
36 personal property intended to be sold ultimately at
37 retail.

38 PARAGRAPH DIVIDED. When used by a manufacturer of
39 food products, carbon dioxide in a liquid, solid, or
40 gaseous form, electricity, steam, and other taxable
41 services are sold for processing when used to produce
42 marketable food products for human consumption,
43 including but not limited to, treatment of material to
44 change its form, context, or condition, in order to
45 produce the food product, maintenance of quality or
46 integrity of the food product, changing or maintenance
47 of temperature levels necessary to avoid spoilage or
48 to hold the food product in marketable condition,
49 maintenance of environmental conditions necessary for
50 the safe or efficient use of machinery and material

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1 used to produce the food product, sanitation and
2 quality control activities, formation of packaging,
3 placement into shipping containers, and movement of
4 the material or food product until shipment from the
5 building of manufacture.

6 PARAGRAPH DIVIDED. Tangible personal property is
7 sold for processing within the meaning of this
8 subsection only when it is intended that the property
9 will, by means of fabrication, compounding,
10 manufacturing, or germination become an integral part
11 of other tangible personal property intended to be
12 sold ultimately at retail; or will be consumed as fuel
13 in creating heat, power, or steam for processing
14 including grain drying, or for providing heat or
15 cooling for livestock buildings or for greenhouses or
16 buildings or parts of buildings dedicated to the
17 production of flowering, ornamental, or vegetable
18 plants intended for sale in the ordinary course of
19 business, or for use in cultivation of agricultural
20 products by aquaculture, or for generating electric
21 current, or in implements of husbandry engaged in
22 agricultural production; or the property is a
23 chemical, solvent, sorbent, or reagent, which is
24 directly used and is consumed, dissipated, or
25 depleted, in processing personal property which is
26 intended to be sold ultimately at retail or consumed
27 in the maintenance or repair of fabric or clothing,
28 and which may not become a component or integral part
29 of the finished product.

30 PARAGRAPH DIVIDED. The distribution to the public
31 of free newspapers or shoppers guides is a retail sale
32 for purposes of the processing exemption."

33 2. Page 1, line 1, by striking the word and
34 figure "Section 1" and inserting the following: "Sec.
35 ____."

36 3. Page 1, by striking lines 21 and 22 and
37 inserting the following:

38 "Sec. ____ . REFUNDS. Refunds of taxes, interests,
39 or penalties which arise from claims resulting from
40 the enactment of the amendment to 1997 Iowa Acts,
41 chapter 158, in this Act, and from the enactment of
42 the amendment to section 422.42, subsection 14, for
43 sales and rentals occurring between April 1, 1987, and
44 June 30, 2000, shall be limited to five thousand
45 dollars in the aggregate and shall not be allowed
46 unless refund claims are filed prior to October 1,
47 2000, notwithstanding any other provision of law. If
48 the amount of claims totals more than five thousand
49 dollars in the aggregate, the department of revenue
50 and finance shall prorate the five thousand dollars

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Page 3

1 among all claimants in relation to the amounts of the
2 claimants' valid claims.

3 Sec. ____ . EFFECTIVE AND APPLICABILITY DATES.

4 1. Section 1 of this Act applies retroactively to
5 July 1, 1997.

6 2. Section 2 of this Act applies retroactively to
7 April 1, 1987.

8 3. This Act, being deemed of immediate importance,
9 takes effect upon enactment."

10 4. Title page, by striking line 3 and inserting
11 the following: "for the sales and rental of property
12 used for or in aquacultural production, and including
13 effective and retroactive applicability dates."

By NEAL SCHUERER

ROBERT E. DVORSKY

S-5442 FILED APRIL 17, 2000

w/d

4/25/00 (P. 1354) HOUSE FILE 2351

S-5433

1 Amend House File 2351, as passed by the House, as
2 follows:

3 1. Page 1, line 10, by striking the word "Sunday"
4 and inserting the following: "Saturday".

By JOANN JOHNSON

S-5433 FILED APRIL 17, 2000

adopted
4/25/00 (P. 1354)

HOUSE FILE 2351

S-5474

1 Amend House File 2351, as passed by the House, as
2 follows:
3 1. Page 1, by striking line 10 and inserting the
4 following: "midnight a fortnight hence."

By STEVEN D. HANSEN

S-5474 FILED APRIL 18, 2000

do not
4/25/00 (p. 1353)

HOUSE FILE 2351

S-5475

1 Amend House File 2351, as passed by the House, as
2 follows:
3 1. Page 1, by inserting before line 1 the
4 following:
5 "Section 1. Section 422.45, subsection 20, Code
6 Supplement 1999, is amended to read as follows:
7 20. The gross receipts from sales or services
8 rendered, furnished, or performed by a county or city.
9 This exemption does not apply to the tax specifically
10 imposed under section 422.43 on the gross receipts
11 from the sales, furnishing, or service of gas,
12 electricity, water, heat, pay television service, and
13 communication service to the public by a municipal
14 corporation in its proprietary capacity; does not
15 apply to the sales, furnishing, or service of solid
16 waste collection and disposal service to
17 nonresidential commercial operations; does not apply
18 to the sales, furnishing, or service of sewage service
19 for nonresidential commercial operations; and does not
20 apply to fees paid to cities and counties for the
21 privilege of participating in any athletic sports
22 except for fees paid for use of a municipal swimming
23 pool."
24 2. Title page line 1, by inserting after the word
25 "to" the following: "the exemption for fees paid to
26 cities and counties and to".

By STEVEN D. HANSEN

S-5475 FILED APRIL 18, 2000

(p. 1352) 0/0
4-25-00

HOUSE FILE 2351

S-5477

1 Amend House File 2351, as passed by the House, as
2 follows:
3 1. Page 1, by inserting after line 20 the
4 following:
5 "Sec. _____. During the regular session of the
6 general assembly convening in 2002, the appropriate
7 committees shall review the impact that the exemption
8 enacted in section 1 of this Act has had in the
9 economy and tax revenues of the state. After
10 reviewing such impact, the appropriate committees
11 shall consider the benefits of expanding the exemption
12 enacted in section 1 of this Act to apply to sales of
13 articles of clothing and footwear regardless of when
14 such sales take place."

By STEVEN D. HANSEN

S-5477 FILED APRIL 18, 2000

adopted
4-25-00 (P. 1364)

HOUSE FILE 2351

S-5482

1 Amend House File 2351, as passed by the House, as
2 follows:
3 1. Page 1, by inserting after line 20, the
4 following:
5 "c. Notwithstanding any other provision in chapter
6 422B or 422E, the governing body of a city or the
7 board of supervisors for the unincorporated area which
8 has imposed a local sales and services tax under
9 chapter 422B or the board of supervisors of a county
10 which has imposed a local sales and services tax for
11 school infrastructure purposes under chapter 422E may
12 repeal the exemption provided in this subsection as it
13 applies to the applicable local sales and services
14 tax. The repeal shall be as a result of the passage
15 of an ordinance repealing the application of the
16 exemption. A public hearing on the passage of the
17 repeal ordinance shall be held at least two weeks
18 prior to passage of the ordinance. A governing body
19 of a city or board of supervisors that has repealed
20 the application of the exemption may in the same
21 manner reinstate the exemption."

By STEVEN D. HANSEN

S-5482 FILED APRIL 18, 2000

lost
4/25/00 (P. 1355)

HOUSE FILE 2351

S-5581

1 Amend House File 2351, as passed by the House, as
2 follows:
3 1. Page 1, line 1, by striking the word and
4 figure "Section 1." and inserting the following:
5 "Section 1. Section 422.45, Code Supplement 1999,
6 is amended by adding the following new subsection:
7 NEW SUBSECTION. 12B. The gross receipts from the
8 sale of bottled, or otherwise packaged, water for
9 human consumption including, but not limited to,
10 distilled, effervescent, noneffervescent, soda, and
11 mineral water.
12 Sec. 1A."
13 2. Page 1, line 21, by striking the word "This"
14 and inserting the following: "Section 1A of this".
15 3. Title page, line 2, by inserting
16 after the word "annually" the following: "and for the
17 sale of bottled and other packaged water for human
18 consumption".

By JOHNIE HAMMOND
ELAINE SZYMONIAK
ROBERT E. DVORSKY
EUGENE S. FRAISE
JOHN P. KIBBIE
STEVEN D. HANSEN
DENNIS H. BLACK
PATRICK J. DELUHERY
MICHAEL E. GRONSTAL

JOE BOLKCOM
JOHN JUDGE
MIKE CONNOLLY
PATRICIA HARPER
BETTY A. SOUKUP
MATT McCOY
TOM FLYNN
BILL FINK
MARK SHEARER

S-5581 FILED APRIL 24, 2000

W/D
4/25/00 (p. 1352)

HOUSE FILE 2351

S-5606

1 Amend House File 2351, as passed by the House, as
2 follows:

3 1. Page 1, by inserting before line 1 the
4 following:

5 "Section 1. Section 422.7, subsection 31, Code
6 1999, is amended to read as follows:

7 31. For a person who is disabled, or is fifty-five
8 years of age or older, or is the surviving spouse of
9 an individual or a survivor having an insurable
10 interest in an individual who would have qualified for
11 the exemption under this subsection for the tax year,
12 subtract, to the extent included, the total amount of
13 a governmental or other pension or retirement pay,
14 including, but not limited to, defined benefit or
15 defined contribution plans, annuities, individual
16 retirement accounts, plans maintained or contributed
17 to by an employer, or maintained or contributed to by
18 a self-employed person as an employer, and deferred
19 compensation plans or any earnings attributable to the
20 deferred compensation plans, up to a maximum of five
21 six thousand dollars for a person, other than a
22 husband or wife, who files a separate state income tax
23 return and up to a maximum of ten twelve thousand
24 dollars for a husband and wife who file a joint state
25 income tax return. However, a surviving spouse who is
26 not disabled or fifty-five years of age or older can
27 only exclude the amount of pension or retirement pay
28 received as a result of the death of the other spouse.
29 A husband and wife filing separate state income tax
30 returns or separately on a combined state return are
31 allowed a combined maximum exclusion under this
32 subsection of up to ten twelve thousand dollars. The
33 ten twelve thousand dollar exclusion shall be
34 allocated to the husband or wife in the proportion
35 that each spouse's respective pension and retirement
36 pay received bears to total combined pension and
37 retirement pay received."

38 2. Page 1, line 22, by inserting after the word
39 "enactment." the following:

40 "Section 1 of this Act, amending section 422.7
41 applies retroactively to January 1, 2000, for tax
42 years beginning on or after that date."

43 3. Title page, line 1, by inserting after the
44 word "to" the following: "the pension exemption under
45 the individual income tax and to".

46 4. Title page, line 3, by inserting after the
47 word "date" the following: "and a retroactive
48 applicability date provision".

By PATRICK J. DELUHERY
MIKE CONNOLLY
PATRICIA HARPER
JOHNIE HAMMOND
JOHN JUDGE
BETTY A. SOUKUP
EUGENE S. FRAISE
MICHAEL E. GRONSTAL
DENNIS H. BLACK

ROBERT E. DVORSKY
MARK SHEARER
BILL FINK
TOM FLYNN
JOHN P. KIBBIE
WALLY E. HORN
STEVEN D. HANSEN
MATT McCOY

S-5606 FILED APRIL 25, 2000
RULED OUT OF ORDER

(P. 1355)

**HOUSE FILE 2351
FISCAL NOTE**

A fiscal note for House File 2351 as amended by S-5433 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

House File 2351 as amended by S-5433 provides an exemption from State sales and use taxes and from local option sales and services taxes for clothing and footwear purchased during the two-day period each year beginning the first Friday in August and ending at midnight the following Saturday. The exemption applies to items with a unit price of less than \$100. Not covered by the exemption are special clothing and footwear that is primarily designed for athletic activity or protective use; accessories, including jewelry, handbags, luggage, umbrellas, wallets, watches, and similar items; or the rental of clothing or footwear.

BACKGROUND

Three states (i.e., Texas, Florida, and New York) currently have "sales tax holidays." The Texas law is most similar to the legislation being proposed. Last August 6 - 8 was the first time for the Texas sales tax holiday. During that period, the Texas Comptroller estimates taxpayers saved \$25.6 million in state taxes and another \$7.0 million in local option taxes. A member of the State Comptroller's research staff indicated this amount of tax savings may be lower than in future years because the authorizing legislation did not pass the Texas Legislature until late in the session. Consequently, many merchants were unaware of the Legislation until right before the "holiday" period. As a result, they did little promotional advertising, and most did not have time to increase inventories to accommodate the increased consumer demand during this period.

The current Florida sales tax holiday was enacted as part of the Florida Tax Relief Act of 1999. The first Florida tax holiday period under the new law extended from July 31 - August 8, 1999. A similar but shorter holiday period was provided during August 1998. During the 1998 period, the tax exemption was limited to clothing and footwear costing no more than \$50 per item. For 1999, the exemption limit was increased to cover items costing \$100 or less. The 1998 holiday period is estimated to have saved Florida taxpayers \$13.9 million in state taxes and \$2.2 million in local option taxes. The 1999 holiday period is estimated to have saved Florida taxpayers \$34.0 million.

The New York sales tax holiday is substantially different than what is being proposed for Iowa. New York has offered six holiday periods over the past several years. Most recently, the 1999 State Legislature established an eight-day holiday period to extend from January 15 - 22, 2000. The sales and use tax exemption applied to items of clothing and footwear costing up to \$500. Over the six different holiday periods, the estimated savings for taxpayers equals \$350.0 million.

ASSUMPTIONS

1. Average monthly State sales and use tax receipts during the first seven months of FY 2000 are \$114.3 million and \$20.6 million, respectively.
2. The December Revenue Estimating Conference estimated sales and use tax receipts in FY 2001 would increase by 5.2% and 5.0% compared to FY 2000.
3. The Iowa sales tax holiday will be for two days, a Friday and a Saturday, each year.
4. Sales during a Friday and Saturday holiday period will equal about 83.0% of the amount that would be experienced during a Friday through Sunday holiday period.
5. The amount Iowans spend per capita on clothing and footwear is similar to that of Texans.
6. Local option sales and services tax collections equal about 13.0% of State tax collections.

FISCAL IMPACT

House File 2351 as amended by S-5433 will result in a decrease in State General Fund revenues for FY 2001 equal to \$3.0 million. Also, a decrease in local option tax revenues equal to \$0.4 million will result. The impact may be slightly reduced by residents of border states coming to Iowa to shop during the holiday period and purchasing non-exempt items.

SOURCES

Iowa Department of Revenue and Finance
State Comptroller of Texas
The Business Council of New York State
The Naples Daily News

(LSB 5726HV.2, MAL

FILED APRIL 20, 2000

BY DENNIS PROUTY, FISCAL DIRECTOR

**HOUSE FILE 2351
FISCAL NOTE**

A fiscal note for House File 2351 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

House File 2351 provides an exemption from State sales and use taxes and from local option sales and services taxes for clothing and footwear purchased during the three-day period each year beginning the first Friday in August and ending at midnight the following Sunday. The exemption applies to items with a unit price of less than \$100. Not covered by the exemption are special clothing and footwear that is primarily designed for athletic activity or protective use; accessories, including jewelry, handbags, luggage, umbrellas, wallets, watches, and similar items; or the rental of clothing or footwear.

BACKGROUND

Three states (i.e., Texas, Florida, and New York) currently have "sales tax holidays." The Texas law is most similar to the legislation being proposed. Last August 6 - 8 was the first time for the Texas sales tax holiday. During that period, the Texas Comptroller estimates taxpayers saved \$25.6 million in state taxes and another \$7.0 million in local option taxes. A member of the State Comptroller's research staff indicated this amount of tax savings may be lower than in future years because the authorizing legislation did not pass the Texas Legislature until late in the session. Consequently, many merchants were unaware of the Legislation until right before the "holiday" period. As a result, they did little promotional advertising, and most did not have time to increase inventories to accommodate the increased consumer demand during this period.

The current Florida sales tax holiday was enacted as part of the Florida Tax Relief Act of 1999. The first Florida tax holiday period under the new law extended from July 31 - August 8, 1999. A similar but shorter holiday period was provided during August 1998. During the 1998 period, the tax exemption was limited to clothing and footwear costing no more than \$50 per item. For 1999, the exemption limit was increased to cover items costing \$100 or less. The 1998 holiday period is estimated to have saved Florida taxpayers \$13.9 million in state taxes and \$2.2 million in local option taxes. The 1999 holiday period is estimated to have saved Florida taxpayers \$34.0 million.

The New York sales tax holiday is substantially different than what is being proposed for Iowa. New York has offered six holiday periods over the past several years. Most recently, the 1999 State Legislature established an eight-day holiday period to extend from January 15 - 22, 2000. The sales and use tax exemption applied to items of clothing and footwear costing up to \$500. Over the six different holiday periods, the estimated savings for taxpayers equals \$350.0 million.

ASSUMPTIONS

-2-

1. Average monthly State sales and use tax receipts during the first seven months of FY 2000 are \$114.3 million and \$20.6 million, respectively.
2. The December Revenue Estimating Conference estimated sales and use tax receipts in FY 2001 would increase by 5.2% and 5.0% compared to FY 2000.
3. The Iowa sales tax holiday will be the same as the Texas sales tax holiday in terms of duration, scope of items covered, and the per item exemption limit.
4. The amount Iowans spend per capita on clothing and footwear is similar to that of Texans.
5. Local option sales and services tax collections equal about 13.0% of State tax collections.

FISCAL IMPACT

House File 2351 will result in a decrease in State General Fund revenues for FY 2001 equal to \$3.6 million. Also, a decrease in local option tax revenues equal to \$0.5 million will result. The impact may be slightly reduced by residents of border states coming to Iowa to shop during the holiday period and purchasing non-exempt items.

SOURCES

Iowa Department of Revenue and Finance
State Comptroller of Texas
The Business Council of New York State
The Naples Daily News

(LSB 5726hv, MAL)

FILED FEBRUARY 29, 2000

BY DENNIS PROUTY, FISCAL DIRECTOR

HOUSE FILE 2351

AN ACT

RELATING TO A SALES AND USE TAX EXEMPTION FOR THE SALES OF CLOTHING AND FOOTWEAR FOR A LIMITED TIME PERIOD ANNUALLY AND INCLUDING AN EFFECTIVE DATE.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. Section 422.45, Code Supplement 1999, is amended by adding the following new subsection:

NEW SUBSECTION. 57. a. The gross receipts from the sale of an article of clothing or footwear designed to be worn on or about the human body if all of the following apply:

- (1) The sales price of the article is less than one hundred dollars.
- (2) The sale takes place during a period beginning at 12:01 a.m. on the first Friday in August and ending at midnight on the following Saturday.
- b. This subsection does not apply to any of the following:
 - (1) Special clothing or footwear that is primarily designed for athletic activity or protective use and that is not normally worn except when used for the athletic activity or protective use for which it is designed.

- (2) Accessories, including jewelry, handbags, luggage, umbrellas, wallets, watches, and similar items carried on or about the human body, without regard to whether worn on the body in a manner characteristic of clothing.

- (3) The rental of clothing or footwear.

Sec. 2. During the regular session of the general assembly convening in 2002, the appropriate committees shall review the impact that the exemption enacted in section 1 of this Act has had in the economy and tax revenues of the state. After reviewing such impact, the appropriate committees shall consider the benefits of expanding the exemption enacted in

section 1 of this Act to apply to sales of articles of clothing and footwear regardless of when such sales take place.

Sec. 3. EFFECTIVE DATE. This Act, being deemed of immediate importance, takes effect upon enactment.

BRENT SIEGRIST
Speaker of the House

MARY E. KRAMER
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 2351, Seventy-eighth General Assembly.

ELIZABETH ISAACSON
Chief Clerk of the House

Approved 5/26, 2000

THOMAS J. VILSACK
Governor

HF2351