

## Sales Tax Holidays

### Current Law

- A 3 day back-to-school tax holiday occurs on the first weekend of August each year.
  - The 4th annual holiday will run from Friday August 1 through Sunday August 3, 2008.
- During the holiday, no gross receipts (“sales”) tax applies on certain items.
- Nontaxable items include:
  - Clothing and footwear items costing less than \$100 each;
  - School supplies such as pens and paper that are typically used by students in a classroom setting and that cost \$15 or less per item;
  - Computers costing \$1000 or less as well as assorted computer equipment costing \$500 or less.
- The per item limits apply to each item but there is no limit on total tax free purchases.
- The cost of the 2008 holiday is estimated to be \$4.6 million (of which \$2.7 million is General Fund and \$1.9 million is local government).

### Expansion Proposals

**Back-to-School** -- Beginning in 2009 the holiday would be expanded to 10 days, from the first Friday in August through the second following Sunday, and the per item limit on certain items would be increased.

- The new 10-day period would help New Mexican families who are working, vacationing, or otherwise unable to take advantage of the current 3-day period.
- The limit on clothing and footwear would increase from \$100 to \$125 per item and the limit on school supplies from \$15 to \$25 per item. Calculators would have a new, separate limit of \$150 each.
- The table below shows the incremental cost above the cost of the existing tax holiday.

Estimated Revenue Impact*						Fund(s) Affected
FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 09-13	
0	(1,151)	(1,209)	(1,269)	(1,333)	(4,962)	General Fund
0	(806)	(846)	(888)	(933)	(3,473)	Local Governments
<b>0</b>	<b>(1,957)</b>	<b>(2,055)</b>	<b>(2,158)</b>	<b>(2,265)</b>	<b>(8,435)</b>	<b>Total</b>

\* In thousands of dollars. Parentheses ( ) indicate a revenue loss.

**Tax Holiday for the Holidays** -- A one-time 2008 sales tax holiday would run 10 days, from the Friday after Thanksgiving (November 28) through the Sunday of the following weekend (December 7). In addition to the items covered in the expanded Back-to-School holiday, this holiday would cover certain Energy Star certified appliances.

- Covered items include Energy Star certified clothes washers, dehumidifiers, dishwashers, refrigerators, freezers, room air conditioners, room air cleaners, ceiling fans, programmable thermostats, CFLs (compact florescent lamps), battery charging systems, water coolers, and decorative light strings.
- Refrigerators and freezers will be limited to \$2,000, clothes washers will be limited to \$1,000 and all other items will be limited to \$500.
- Only purchases for personal (non-business) use would qualify.

- The cost would be \$3.3 million in FY2009 (\$1.9 General Fund and \$1.4 local governments).