

Sales Tax Holiday Op-Ed

Let the buyer beware! The sales tax holiday may not be the bargain you expect.

I suspect that most folks aren't thinking any deeper than, "I won't have to pay sales tax on October 2." I felt the same delight when I bought two pairs of shoes at an outlet mall in Florida and learned that their sales tax holiday was in effect. I had to pay tax on the expensive pair, but the half-priced pair fell under Florida's \$50 limit, so I saved \$3.50. (Their sales tax is 7 per cent.)

I got back to Montgomery and discovered that the sales tax holiday had become a local issue. I started asking around, and I learned a few things we need to be aware of.

1. Stores may not offer great sales during the tax holiday. Why should they? The crowds are coming, and – let's face it – lots of shoppers aren't good at arithmetic. Which is better, the sale that offers 25 per cent off on everything, or the sales tax holiday when we can save 10 per cent on the sales tax?

A study in Florida found that retailers responded to the sales tax holiday by holding prices than they normally would. They didn't put as much merchandise on sale, and as a result, the stores got 80% of the benefit.

2. The tax holiday offers little benefit to low-income people, who have less flexibility to shift their purchases more than a week or two. By contrast, we are already hearing of customers picking out furniture in August for delivery on October 2.

Although the Florida sales tax holiday is limited to school supplies and clothing items priced under \$50, Montgomery has no such limit. (If you plan to buy a fur coat, wait until October 2!)

When the City Council discovered that Alabama law does not allow a city to restrict which items are taxable (that's a state decision; only the rate is decided locally), they decided to go ahead with no restrictions. That's just crazy. It's a good reason for Mayor Bright to veto the bill. He could say that we'll try again next year, *after* the Legislature has changed this provision.

3. The holiday is a hassle for small business. Mom-and-pop stores will have to re-program their cash registers for one day, and program them back the next day. If the law is changed to restrict which items qualify for the tax exemption, even more complex programming will be required. I don't know for sure, but I bet such programming is more cost-effective for the chain stores. For the small store, the sales tax reporting will surely cause headaches.

4. Sales won't rise over the long run. New York found that sales skyrocketed for the sales tax holiday, but that there was no change in retail sales over the quarter. Most buyers simply shifted the timing of their purchases.

5. A sales tax holiday undermines the concept of tax-as-responsibility. Taxes are the way we pay our bills in Montgomery. Isn't it an unhappy coincidence that we're cutting sales tax revenue at the same time that our city is having to cut funds for the Reading Initiative? If we support the way the city spends its budget, we should support the taxes that pay the bills.

Here's the bottom line: Sales tax holidays are a gimmick. They sound good. They feel good. But let the buyer beware: They may not be a bargain.