

Beacon Hill Byline by Mary Rogeness

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### **Sales Tax takes a holiday**

Get ready to go shopping this weekend, the time Massachusetts takes a break from the sales tax.

When did most retailers have their busiest day last year? Was it Christmas Eve or the day after Thanksgiving? Both of those landmark shopping days came in behind August 14<sup>th</sup>. That date was not a traditional holiday; it was the first Massachusetts Sales Tax Holiday. And it set a sales record throughout the state. According to some retailers, it was their busiest day *ever*.

This weekend will be the second annual holiday, extended to include both Saturday and Sunday, August 13<sup>th</sup> and 14<sup>th</sup>, so start drawing up your lists. Here are the details of the holiday.

There is no sales tax on purchases by individuals up to \$2,500 per item of tangible personal property, excepting motor vehicles, boats and tobacco products.

That means that a fixer-upper car is not tax exempt, even if it carries the bargain price of \$999. On the other hand a \$2,499 plasma television screen will cost exactly \$2,499.

The legislature passed the sales tax holiday as one of the last items before recessing last month to give a boost to consumer spending, a driving force in our economy. Many purchases are what the professionals call “impulse buying,” non-essential products that might not be bought without the incentive. They added up to \$400 million last year. While the state did not collect its 5%, it benefited from additional spending.

Stores would be minimally staffed on a typical August weekend. After all, we are in the dog days of August. The merchants who make the increased sales have higher profits that generate more taxes. Their employees have additional income, which also generates taxes. And the shoppers end up buying non-exempt snacks or meals, likewise adding to the tax revenue of the state. So everyone comes out a winner.

Let me offer just one note of caution. The August dates target back-to-school purchases, which have fairly standard prices. Nonetheless, a sale price can be lower than the tax-exempt price, so take a moment to compare tax-free versus on-sale savings.

Over the past years, I have looked at crowded shopping center parking lots in neighboring Connecticut on days that our own stores were required by law to be closed. This weekend, I look forward to seeing Connecticut shoppers change that situation by spending their shopping dollars Massachusetts. If you have a few extra dollars to spend, please join them. The dollars will be worth 5% more than they are today.