

## Texas: Comptroller reminds shoppers of upcoming sales tax holidays



David M. Kall | Thursday, April 13, 2017

In 2016, 17 states, primarily located in the southeastern U.S., offered sales tax holidays, down from a peak of 19 states in 2010, according to the [Tax Foundation](#). In the think tank's 2016 special report characterizing such events as "politically expedient but poor tax policy," the authors contend that tax holidays

distract policymakers and taxpayers from real, permanent, and economically beneficial tax reform. Sales tax holidays introduce unjustifiable government distortions into the economy without providing any significant boost to the economy. They represent a real cost for businesses without providing substantial benefits. They are also an inefficient means of helping low-income consumers and an ineffective means of providing savings to consumers.

More specifically, the Tax Foundation frowns on tax holidays for these reasons:

- Sales tax holidays do not promote economic growth or significantly increase consumer purchases. The evidence shows that they simply shift the timing of purchases. Some retailers raise prices during the holiday, reducing consumer savings.
- Sales tax holidays create complexities for tax code compliance, efficient labor allocation, and inventory management. However, free advertising for what is effectively a paltry 4 to 7 percent discount leads many larger businesses to lobby for the holidays.
- Most sales tax holidays involve politicians picking products and industries to favor with exemptions,

## Texas Comptroller reminds shoppers of upcoming sales tax holidays

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arbitrarily discriminating among products and across time, and distorting consumer decisions.

- While sales taxes are somewhat regressive, this does not make sales tax holidays an effective tool for providing relief to low-income individuals. In order to give a small amount of tax savings to those with lower incomes, holidays give a large amount of savings to higher income groups as well.
- Sales tax holidays are political gimmicks that distract policymakers and taxpayers from genuine, permanent tax relief. If a state must offer a “holiday” from its tax system, it is an implicit recognition that the state’s tax system is uncompetitive. If policymakers want to save money for consumers, then they should cut the sales tax rate year-round.

Nevertheless, as the Lone Star state has done in years past, it is offering two spring sales tax holidays: one for emergency preparation supplies, in late April, and the other for energy efficient products, in late May. A third tax holiday, for back-to-school items, is scheduled for August 11-13, 2017. We will address this, along with other states’ back-to-school offerings, this summer.

### **Emergency preparation supplies: April 22 – April 24, 2017**

In its on-line [notification](#), the Texas comptroller explained that there is no limit on the number of qualifying items one can purchase, and one does not need to produce an exemption certificate to claim the exemption.

The following emergency preparation supplies qualify for tax exemption if purchased at the price levels provided:

#### **Less than \$3,000**

- Portable generators

#### **Less than \$300**

- Hurricane shutters
- Emergency ladders

#### **Less than \$75**

- Batteries, single or multipack (AAA cell, AA cell, C cell, D cell, 6 volt or 9 volt)
- First aid kits
- Fuel containers
- Ground anchor systems and tie-down kits
- Hatchets
- Axes
- Mobile telephone batteries and mobile telephone chargers
- Nonelectric coolers and ice chests for food storage
- Nonelectric can openers
- Portable self-powered light sources (hand cranked flashlights)
- Portable self-powered radios, including two-way and weather band radios
- Reusable and artificial ice products
- Smoke detectors, fire extinguishers and carbon monoxide detectors

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- Tarps and other plastic sheeting

### **THESE SUPPLIES DO NOT QUALIFY FOR TAX EXEMPTION:**

- Batteries for automobiles, boats and other motorized vehicles
- Camping stoves
- Camping supplies
- Chainsaws
- Plywood
- Extension ladders
- Stepladders
- Tents
- Repair or replacement parts for emergency preparation supplies
- Services performed on, or related to, emergency preparation supplies

The comptroller notes that delivery, shipping, handling and transportation charges are part of the sales price, and that if the emergency preparation supply being purchased is taxable, the delivery charge is also taxable.

For example, a rescue ladder priced at \$299, but with a \$10 delivery charge would have a total sales price of \$309. Because the total sales price of the ladder is more than \$300, tax is due on the \$309 sales price.

### **Energy star products: May 27-May 29, 2017**

The **ENERGY STAR Sales Tax Holiday** permits purchasers to buy certain energy-efficient products with the ENERGY STAR® logo tax free over Memorial Day weekend. There is no limit on the number of qualifying items you can buy, and you do not need to give an exemption certificate to the seller during this sales tax holiday.

Purchases of the following items are tax-free during the holiday if the items display the **ENERGY STAR** logo:

- Air conditioners (with a sales price of \$6,000 or less)
- Refrigerators (with a sales price of \$2,000 or less)
- Ceiling fans
- Incandescent and fluorescent light bulbs
- Clothes washers
- Dishwashers
- Dehumidifiers

As noted above with the emergency preparation supplies, if the ENERGY STAR item being purchased is itself exempt, the delivery charge is also exempt. Additionally, delivery, shipping, handling and transportation charges are part of the sales price and could cause the total price to exceed the price cap, rendering the item taxable. For example, on a purchase of an ENERGY STAR refrigerator for \$1,995, with a \$50 delivery charge, the total sales price is \$2,045. Because the total sales price of the refrigerator exceeds the \$2,000 cap for refrigerators, tax is due on the \$2,045 sales price.

Layaway sales of eligible products qualify for the exemption when:

- The customer makes final payment and receives the merchandise during the holiday period.
- The customer selects an item and places it on layaway during the holiday for immediate delivery upon full payment, even if delivery is made after the holiday ends.

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Finally, a person performing work under a contract for new construction or for residential repair and remodeling is a contractor. A person repairing or remodeling nonresidential property is a taxable service provider.

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[Team member bio](#)