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Stores bet on crowds for no-tax weekend Critics say 'holiday' a political gimmick, not real tax relief

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Published: Sunday, 07/09/06

Would you rush out to the store for a 9.25 percent-off sale?

That's just what retailers are hoping for next month on the state's first sales tax holiday.

The tax-free weekend timed to the back-to-school shopping season will take place Aug. 4-6 and is expected to cost the state about \$10 million in tax revenues. Clothes and school supplies that cost \$100 or less per item are exempt from state and local taxes, as well as computers that cost \$1,500 or less.

The sales tax in Davidson County and many area counties is 9.25 percent — which means a computer costing \$699 would get a \$64.66 tax break, but a shirt costing \$20 would see only \$1.85 in savings.

The state legislature passed the annual event last year during a budget surplus, allowing Tennessee to join 13 other states with sales tax holidays this year. Crowds are expected at area stores for the weekend, if the experiences in other states are any indication.

"They're huge," said Opry Mills marketing director Lynn Kittel. "People will cross state lines to shop tax free in Tennessee."

But skeptics say the holidays do little to save consumers or benefit retailers and are mostly an attempt at political good will.

"The consumer gets a wash, but they think they're getting a great deal," said David Brunori, a public policy professor at George Washington University in Washington and an opponent of sales tax holidays.

"The politicians can walk around kissing babies and say they're bringing a tax break to the state of Tennessee."

He said there is anecdotal evidence that retailers don't offer as much a discount as they typically would that weekend because the sales tax holiday essentially becomes the sale.

"Might you be better off if the store gave you 15 percent off?" said Diane Yetter, who teaches sales tax seminars at Yetter Consulting Services.

She said retailers don't tend to see a big sales boost for the month, because people tend to shift their purchases to that weekend.

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Advocates of the sale, however, say that families get a break during a season that can sap hundreds of dollars or more out of parents' pocketbooks.

Plus, the state was losing money to nearby states that did have sales tax holidays, such as Georgia and North Carolina, said Loren Chumley, the Tennessee Department of Revenue commissioner.

She said that in other states, sales that weekend are 150 percent to 250 percent higher.

Retailers in Tennessee are hoping to take advantage of that.

"We could be looking at another black Friday (the first day of the Christmas shopping season)," said Kittel, whose mall will open at 8 a.m. Friday, Aug. 4, two hours earlier. Plus, it will be giving away prizes throughout the day and free shopping bags to the first 500 customers.

CBL Malls, including CoolSprings Galleria, RiverGate Mall, and Hickory Hollow Mall, will open an hour earlier and stay open an hour later on Friday and Saturday and one hour later on Sunday, until 7 p.m.

"We're going to have a little fun with it," said CoolSprings Galleria marketing director Dana Katterjohn, who has seen sales tax holidays in New York and Florida. "It's going to be really, really busy."

Talmage Shearer, who owns PhatKaps clothing store in the Hickory Hollow Mall, said customers have told him they travel to other states to take advantage of the sales tax break.

"Anything to create some traffic flow, we're all for it," he said.

Store employees at Journeys, Journeys Kidz, Shi and Underground Station shoe stores at area malls will be outfitted with specially made matching T-shirts, so consumers can identify staff in the crowds.

"We play this up in a big way," said Jim Estepa, president and chief executive of Genesco's shoe-store division, which has about 350 stores in states with sales tax holidays.

He said Genesco stores typically benefit from higher sales during a sales tax holiday, although he couldn't give a figure.

Retailers run ads to promote the weekend and crowds rush out to the malls that weekend, said Cheryl Bridges, the director of the Center for Retailing Studies at Texas A&M, in a state that has had a sales tax holiday for several years.

Consumers have saved about \$287 million in taxes since the holiday was started in 1999, according to the state comptroller's office.

But Bridges said sales for the month aren't typically higher than they would be otherwise, because people just wait to make planned purchases on that weekend.

Tennessee legislators had debated in 2005 and 2006 how best to return a budget surplus to taxpayers and decided on a sales tax holiday plus \$10.2 million in property tax relief for low-income seniors, among other measures.

Although a decrease in the sales tax on food had been proposed, it was deemed too costly to the

state, said House Majority Leader Kim McMillan.

"The governor and the legislature decided this is one of the biggest benefits consumers can have who are going out to buy back-to-school clothing," she said.

The state also passed a one-time sales tax holiday next spring, from April 27-April 29. The sales tax holiday for the first weekend in August will be an annual event. •

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