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S. 1643

To provide Federal reimbursement to State and local governments for a limited sales, use, and retailers' occupation tax holiday.

IN THE SENATE OF THE UNITED STATES

NOVEMBER 7, 2001

Mrs. MURRAY (for herself, Ms. SNOWE, Mr. LIEBERMAN, Mr. SANTORUM, Mr. DORGAN, Mr. THURMOND, Mr. DURBIN, Mr. CRAIG, Mr. CLELAND, Mr. BOND, and Mrs. FEINSTEIN) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To provide Federal reimbursement to State and local governments for a limited sales, use, and retailers' occupation tax holiday.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the "Sales Tax Holiday Act
5 of 2001".

6 **SEC. 2. FINDINGS.**

7 Congress finds the following:

8 (1) Consumer confidence and spending is crit-
9 ical to a healthy United States economy.

1 (2) In order to prevent a further decline in con-
2 sumer spending, which fell 1.8 percent in September
3 2001, and consumer confidence, which is at its low-
4 est level since February 1994, the Federal Govern-
5 ment needs to provide an immediate and targeted
6 tax incentive to encourage consumer spending.

7 (3) The most immediate and targeted incentive
8 for consumption would be to reduce the price of
9 goods to consumers, which can be done most effec-
10 tively by removing sales taxes imposed on those
11 goods.

12 (4) A 10-day sales tax holiday, prior to the
13 2001 Holiday season, would encourage Americans to
14 make immediate purchases and help to counteract
15 the decline in consumer confidence Americans have
16 experienced since September 11, 2001. The direct
17 boost to consumption resulting from a sales tax holi-
18 day would enhance the benefits of individual tax cuts
19 provided by any Federal tax stimulus legislation.

20 (5) A State and local sales tax holiday would
21 allow all taxpayers to benefit, especially lower-income
22 Americans who spend a larger portion of their in-
23 come.

24 (6) To encourage a State and local sales tax
25 holiday, the Federal Government should ensure that

1 each participating State and local government re-
 2 ceives fast and fair reimbursement for lost sales tax
 3 revenue.

4 (7) Florida, Texas, Pennsylvania, South Caro-
 5 lina, Iowa, Connecticut, Maryland, Ohio, North
 6 Carolina, and the District of Columbia currently
 7 provide consumers with similar temporary sales tax
 8 holidays. Consumer response to these holidays has
 9 been extraordinary, with retailers reporting greatly
 10 increased foot traffic in stores as well as an increase
 11 in incremental retail sales.

12 **SEC. 3. STATE AND LOCAL SALES TAX RELIEF FOR CON-**
 13 **SUMERS.**

14 (a) IN GENERAL.—The Secretary shall reimburse
 15 each State for the amount of State and local sales tax
 16 payable and not collected during the sales tax holiday pe-
 17 riod.

18 (b) DETERMINATION AND TIMING OF REIMBURSE-
 19 MENT.—

20 (1) PREDETERMINED AMOUNT.—Not later than
 21 December 20, 2001, the Secretary shall pay to each
 22 State an amount equal to the sum of—

23 (A)(i) the amount of State and local sales
 24 tax payable and collected in such State during

1 the same period in 2000 as the sales tax holi-
2 day period, times

3 (ii) an acceleration factor equal to 1.73,
4 plus

5 (B) an amount equal to 1 percent of the
6 amount determined under subparagraph (A) for
7 State administrative costs.

8 (2) RECONCILIATION AMOUNT.—Not later than
9 February 20, 2002, the Secretary shall pay to each
10 electing State under subsection (c)(2) an amount
11 equal to the excess (if any) of—

12 (A) the amount of State and local sales tax
13 payable and not collected in such State during
14 the sales tax holiday period, over

15 (B) the amount determined under para-
16 graph (1)(A) and paid to such State.

17 (c) REQUIREMENT FOR REIMBURSEMENT.—The Sec-
18 retary may not pay a reimbursement under this section
19 unless—

20 (1) the chief executive officer of the State in-
21 forms the Secretary, not later than November 15,
22 2001, of the intention of the State to qualify for
23 such reimbursement by not collecting sales tax pay-
24 able during the sales tax holiday period,

1 (2) in the case of a State which elects to receive
2 the reimbursement of a reconciliation amount under
3 subsection (b)(2)—

4 (A) the chief executive officer of the State
5 informs the Secretary and the Director of Man-
6 agement and Budget and the retail sellers of
7 tangible property in such State, not later than
8 November 15, 2001, of the intention of the
9 State to make such an election,

10 (B) the chief executive officer of the State
11 informs the retail sellers of tangible property in
12 such State, not later than November 15, 2001,
13 of the intention of the State to make such an
14 election and the additional information (if any)
15 that will be required as an addendum to the
16 standard reports required of such retail sellers
17 with respect to the reporting periods including
18 the sales tax holiday period,

19 (C) the chief executive officer reports to
20 the Secretary and the Director of Management
21 and Budget, not later than January 31, 2002,
22 the amount determined under subsection (b)(2)
23 in a manner specified by the Secretary,

24 (D) if amount determined under subsection
25 (b)(1)(A) and paid to such State exceeds the

1 amount determined under subsection (b)(2)(A),
2 the chief executive officer agrees to remit to the
3 Secretary such excess not later than February
4 20, 2002, and

5 (E) the chief executive officer of the State
6 certifies that such State—

7 (i) in the case of any retail seller un-
8 able to identify and report sales which
9 would otherwise be taxable during the sales
10 tax holiday period, shall treat the reporting
11 by such seller of sales revenue during such
12 period, multiplied by the ratio of taxable
13 sales to total sales for the same period in
14 2000 as the sales tax holiday period, as a
15 good faith effort to comply with the re-
16 quirements under subparagraph (B), and

17 (ii) shall not treat any such retail sell-
18 er of tangible property who has made such
19 a good faith effort liable for any error
20 made as a result of such effort to comply
21 unless it is shown that the retailer acted
22 recklessly or fraudulently,

23 (3) in the case of any home rule State, the chief
24 executive officer of such State certifies that all local
25 governments that impose sales taxes in such State

1 agree to provide a sales tax holiday during the sales
2 tax holiday period,

3 (4) the chief executive officer of the State
4 agrees to pay each local government's share of the
5 reimbursement (as determined under subsection (d))
6 not later than 20 days after receipt of such reim-
7 bursement, and

8 (5) in the case of not more than 20 percent of
9 the States which elect to receive the reimbursement
10 of a reconciliation amount under subsection (b)(2),
11 the Director of Management and Budget certifies
12 the amount of the reimbursement required under
13 subsection (b)(2) based on the reports by the chief
14 executive officers of such States under paragraph
15 (2)(C).

16 (d) DETERMINATION OF REIMBURSEMENT OF LOCAL
17 SALES TAXES.—For purposes of subsection (c)(4), a local
18 government's share of the reimbursement to a State under
19 this section shall be based on the ratio of the local sales
20 tax to the State sales tax for such State for the same time
21 period taken into account in determining such reimburse-
22 ment, based on data published by the Bureau of the Cen-
23 sus.

24 (e) DEFINITIONS.—For purposes of this section—

1 (1) HOME RULE STATE.—The term “home rule
2 State” means a State that does not control imposi-
3 tion and administration of local taxes.

4 (2) LOCAL.—The term “local” means a city,
5 county, or other subordinate revenue or taxing au-
6 thority within a State.

7 (3) SALES TAX.—The term “sales tax”
8 means—

9 (A) a tax imposed on or measured by gen-
10 eral retail sales of taxable tangible property, or
11 services performed incidental to the sale of tax-
12 able tangible property, that is—

13 (i) calculated as a percentage of the
14 price, gross receipts, or gross proceeds,
15 and

16 (ii) can or is required to be directly
17 collected by retail sellers from purchasers
18 of such property,

19 (B) a use tax, or

20 (C) the Illinois Retailers’ Occupation Tax,
21 as defined under the law of the State of Illinois,
22 but excludes any tax payable with respect to food
23 and beverages sold for immediate consumption on
24 the premises, beverages containing alcohol, and to-
25 bacco products.

1 (4) SALES TAX HOLIDAY PERIOD.—The term
2 “sales tax holiday period” means the period begin-
3 ning after November 22, 2001, and ending before
4 December 3, 2001.

5 (5) SECRETARY.—The term “Secretary” means
6 the Secretary of the Treasury.

7 (6) STATE.—The term “State” means any of
8 the several States, the District of Columbia, or the
9 Commonwealth of Puerto Rico.

10 (7) USE TAX.—The term “use tax” means a
11 tax imposed on the storage, use, or other consump-
12 tion of tangible property that is not subject to sales
13 tax.

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