

**TIP**  
**Tax Information Publication**  
**2007 Sales Tax Holiday**  
**August 4 through August 13, 2007**

Do you sell books, clothing, footwear, accessories, school supplies?

If you sell books, clothing, footwear, certain accessories, or certain school supplies in the State of Florida, the upcoming Sales Tax Holiday may impact your business.

Florida law allows that no sales tax or local option taxes (also known as discretionary sales surtax) will be collected on sales of books, clothing, footwear, and certain accessories selling for \$50 or less, or on certain school supplies selling for \$10 or less. This tax exemption is in effect from 12:01 a.m., Saturday, August 4, 2007, through midnight, Monday, August 13, 2007.

The sales tax exemption applies to each eligible book or item of clothing selling for \$50 or less, and each eligible school supply item selling for \$10 or less. The exemption will still apply no matter how many items are sold on the same invoice to a customer.

However, the exemption does not apply to books or to any item of clothing selling for more than \$50, or to any school supply item selling for more than \$10.

**“School supplies”** means pens, pencils, erasers, crayons, notebooks, notebook filler paper, legal pads, composition books, poster paper, scissors, cellophane tape, glue or paste, rulers, computer disks, protractors, compasses, and calculators.

**“Book”** means a set of printed sheets bound together and published in a volume. The term “book” does not include newspapers, magazines, other periodicals, or audio books.

Books are different from periodicals in that books, in addition to the above, are also generally identified with an International Standard Book Number (ISBN), while periodicals are dated and generally have an issue number, but not an ISBN.

**“Clothing”** means any article of wearing apparel, including all footwear (except skis, swim fins, roller blades, and skates), intended to be worn on or about the human body. However, “clothing” does not include watches, watchbands, jewelry, umbrellas, handkerchiefs, or sporting equipment. A representative list of items is included in this publication.

This exemption does not apply to sales of books, clothing, or school supplies within a theme park, entertainment complex, public lodging establishment, or airport. Those areas are defined below.

**“Theme park or entertainment complex”** means a complex comprised of at least 25 adjacent acres owned and controlled by the same business entity and which contains permanent exhibitions and a variety of recreational activities and has a minimum of one million visitors annually.

**“Public lodging establishment”** means any unit, group of units, dwelling, building, or group of buildings within a complex of buildings, which is rented to guests more than three times in a calendar year for periods of less than 30 days or one calendar month, whichever is less, or which is advertised or offered to the public as a place regularly rented to guests.

**“Airport”** means an area of land or water used for, or intended to be used for, landing and takeoff of aircraft, including accessory or relative areas, buildings, facilities, or rights-of-way necessary to facilitate such use or intended use.

## **Applying the Law to Sales Transactions**

### **Articles normally sold as a unit**

Articles that are normally sold as a unit must continue to be sold in that manner; they cannot be separately

priced and sold as individual items in order to obtain the sales tax exemption.

Example 1: A pair of shoes normally sells for \$80. The pair of shoes cannot be split up in order to sell each shoe for \$40 to qualify for the exemption.

Example 2: A suit is normally priced at \$100 on a single price tag. The suit cannot be split into two separate articles so that each piece may be sold for \$50 or less in order to qualify for the exemption. However, items that are normally priced as separate items may continue to be sold as separate items and qualify for the exemption if the price of the item is \$50 or less.

Example 3: A pen and pencil set is normally priced at \$18 on a single price tag. The set cannot be split into separate items so that either of the items may be sold for \$10 or less in order to qualify for the exemption.

Example 4: A set of five books normally sells for \$199.95. The set cannot be split into separate books so that each book sells for \$50 or less in order to qualify for the exemption.

### **Sets containing both exempt and taxable items**

When exempt items are normally sold together with taxable merchandise as a set or single unit, the full price is subject to sales tax.

Example 1: A gift set consisting of a wallet and key chain is sold for a single price of \$35. Although the wallet would qualify for the exemption if sold separately during the exemption period, the key chain would not qualify because it is not listed as a qualifying tax-exempt item. The full selling price of the wallet and key chain gift set is taxable.

Example 2: A desk set consisting of a stapler and a pair of scissors is sold for a single price of \$9.95. Although the scissors would qualify for the exemption if sold separately during the exemption period, the stapler would not qualify because it is not listed as a qualifying tax-exempt item. The full selling price of the stapler and scissors desk set is taxable.

### **Buy one, get one free or for a reduced price**

The total price of items advertised as “buy one, get one free,” or “buy one, get one for a reduced price,” cannot be averaged in order for both items to qualify for the exemption.

Example 1: A retailer advertises pants as “buy one, get one free.” The first pair of pants is priced at \$70; the second pair of pants is free. Tax is due on \$70. The store cannot sell each pair of pants for \$35 in order for the items to qualify for the exemption. However, the retailer may advertise and sell the items for 50% off, selling each pair of \$70 pants for \$35, making each pair eligible for the exemption.

Example 2: A retailer advertises shoes as “buy one pair at the regular price, get a second pair for half price.” The first pair of shoes is sold for \$60; the second pair is sold for \$30 (half price). Tax is due on the \$60 shoes, but not on the \$30 shoes. The store cannot sell each pair of shoes for \$45 in order for the items to qualify for the exemption. However, a retailer may advertise each pair for 25% off, thereby selling each pair of \$60 shoes for \$45, making each pair eligible for the exemption.

### **Gift certificates**

The sale of a gift certificate is not taxable. Eligible items purchased during the exemption period using a gift certificate will qualify for the exemption, regardless of when the gift certificate was purchased. Eligible items purchased after the exemption period using a gift certificate are taxable even if the gift certificate was purchased during the exemption period. A gift certificate cannot be used to reduce the selling price of a book or an item of clothing to \$50 or less, or a school supply item to \$10 or less, in order for the item to qualify for the tax exemption.

### **Exchanging a Purchase after August 13**

When a customer purchases a tax exempt item during the exemption period, then later exchanges the item for the same item (different size, different color, etc.), no additional tax will be due even if the exchange is made after the exemption period. When a customer purchases a tax exempt item during the exemption period, then

later returns the item and receives credit on the purchase of a different item, the appropriate sales tax will apply to the full sales price of the newly purchased item.

Example 1: During the exemption period, a customer purchases a \$50 dress that qualifies for the exemption. Later, during the exemption period, the customer exchanges the \$50 dress for a \$75 dress. Tax is due on the \$75 dress. The \$50 credit from the returned item cannot be used to reduce the sales price of the \$75 item to \$25 for exemption purposes.

Example 2: A customer purchases a \$35 shirt during the exemption period. After the exemption period, the customer exchanges the shirt for a \$35 jacket. Since the jacket was not purchased during the exemption period and is a different item of clothing, tax is due on the \$35 price of the jacket.

## **Refunds**

A customer who pays sales tax to a dealer on a tax exempt item when no tax is due must secure a refund of the tax from the dealer and not from the Department of Revenue.

## **Returns**

When a customer returns a tax exempt item during the period August 4, 2007, through October 31, 2007, and wants a refund/credit of tax:

- The customer must produce a receipt or invoice showing tax was paid on the original purchase of the tax exempt item, or
- The retailer must have sufficient documentation to show that tax was paid on the original purchase of the tax exempt item.

## **Coupons, rebates, and discounts**

*Manufacturers'* coupons do not reduce the sales price of an item. Therefore, a manufacturer's coupon cannot be used to reduce the selling price of a book or an item of clothing to \$50 or less, or of a school supply item to \$10 or less, in order to qualify for the exemption.

Example: A jacket sells for \$55. The customer has a \$10 manufacturer's coupon good for the purchase of the jacket. The manufacturer's coupon does not reduce the sales price of the jacket. Tax is due on \$55 even though the customer only pays the retailer \$45 for the jacket.

*Store coupons and discounts* reduce the sales price of an item. Therefore, a store coupon or discount can be used to reduce the sales price of an item to \$50 or less, or a school supply item to \$10 or less, in order to qualify for the exemption.

Example: A customer buys a \$400 suit and a \$55 shirt. The retailer is offering a 10% discount. After applying the 10% discount, the final sales price of the suit is \$360, and the sales price of the shirt is \$49.50. The suit is taxable (it is over \$50), and the shirt is exempt (it is less than \$50).

*Rebates* occur after the sale and do not affect the sales price of an item purchased.

Example: A jacket sells for \$55. The customer receives a \$10 rebate from the manufacturer. The rebate occurs after the sale, so it does not reduce the sales price of the jacket. Tax is due on \$55.

## **Rain checks**

Tax exempt items purchased during the exemption period using a rain check will qualify for the exemption regardless of when the rain check was issued. However, issuance of a rain check during the exemption period will not qualify an eligible item for the exemption if the item is actually purchased after the exemption period.

## **Rentals**

Rentals of eligible items do not qualify for the exemption.

## **Layaway sales**

A layaway sale is a transaction where merchandise is set aside for future delivery to a customer who makes a deposit, agrees to pay the balance of the purchase price over a period of time, and receives the merchandise at the

end of the payment period.

For purposes of this exemption, tax exempt items will qualify for the exemption if:

- a retailer and a customer enter into a contract for a layaway sale for exempt item(s) during the exemption period,
- the customer makes the usual deposit in accordance with the retailer's layaway policy,
- the merchandise [exempt item(s)] is segregated from the retailer's inventory, and
- the final payment is made during or after the exemption period.

If final payment on a layaway order is made and the merchandise is given to the customer during the exemption period, that sale will qualify for the exemption, even when the qualified items were placed on layaway before the exemption period.

### **Mail-order sales**

Tax-exempt items purchased by mail order (including transactions over the Internet) will qualify for the exemption if the order is accepted by the mail-order company during the exemption period for immediate shipment. When the acceptance of the order by the mail-order company occurs during the exemption period, the exemption will apply even if delivery is made after the exemption period.

\* An order is accepted by the mail-order company when the mail-order company has taken an action to fill the order for immediate shipment. Actions to fill an order include placing an "in date" stamp on a mail order or assigning an "order number" to a telephone order.

\* An order is considered to be for immediate shipment when delayed shipment is not requested by the customer. An order is for immediate shipment even if the shipment may be delayed because of a backlog of orders or because stock is currently unavailable to, or on back order by, the company.

### **Shipping and handling**

By law, shipping and handling charges are part of the sales price of an item, even if they are separately stated. If multiple items are shipped on a single invoice, and the shipping and handling charge is listed as a single cost for all items, the charge must be fairly assigned to each item on the invoice to determine if the total cost of each exempt item still qualifies it as tax exempt.

### **Repairs and alterations**

Repairs to tax-exempt items do not qualify for the exemption. Alterations to clothing are treated like repairs and do not qualify for the tax exemption, even though alterations may be completed, invoiced, and paid for at the same time as the tax-exempt item to be altered.

Example: A customer purchases a pair of pants for \$49 and pays \$5 to the retailer to have the pants cuffed. The \$49 charge for the pants is exempt; however, tax is due on the \$5 alteration charge.

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## **For Bay County Dealers Only**

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Panama City and Panama City Beach impose upon retailers a *merchant's license fee* or tax, which may be passed on to the customer. The merchant's license fee is included in the sales price of each item whether or not the fee is separately stated on the invoice.

Example: A handbag sells for \$49.95. The separately stated 1% tax or fee for this item is \$0.50. Since the fee or tax is part of the sales price of the item (\$50.45), the cost of the handbag exceeds the allowable threshold amount and, therefore, the handbag will not qualify for the exemption.

### **Consolidated Accounts**

If you are a consolidated filer, only one of these publications is being mailed to your business. This will enable you to communicate directly with each of your store locations. Please make certain you notify all of your individual store locations regarding this sales tax holiday and the specific provisions contained in this publication. Posters containing the tax-exempt items and copies of this publication are available online @ [www.myflorida.com/dor](http://www.myflorida.com/dor).

### **Record Keeping**

During the tax free holiday, no special record keeping or reporting is necessary. Sales of tax-exempt items that are sold from August 4, 2007, through August 13, 2007, should be reported as exempt sales on your sales tax return for that period.

# 2007 Sales Tax Holiday

## List of taxable and tax-exempt items

August 4, through August 13, 2007

The 2007 Florida Legislature passed and the Governor approved a tax-free period that states:

*No sales tax shall be collected on the sale of books, clothing, wallets, or bags, including handbags, backpacks, fanny packs, and diaper bags, but excluding briefcases, suitcases, and other garment bags, having a selling price of \$50 or less, or on sales of certain school supplies having a selling price of \$10 or less for the period beginning 12:01 a.m. August 4, 2007, and ending at midnight August 13, 2007.*

*Clothing means any article of wearing apparel, including all footwear, except skis, swim fins, roller blades, and skates, intended to be worn on or about the human body. Clothing does not include watches, watchbands, jewelry, umbrellas, handkerchiefs, or sporting equipment.*

*Book means a set of printed sheets bound together and published in a volume. The term book does not include newspapers, magazines, other periodicals, or audio books.*

*School supplies means pens, pencils, erasers, crayons, notebooks, notebook filler paper, legal pads, composition books, poster paper, scissors, cellophane tape, glue or paste, rulers, computer disks, protractors, compasses, and calculators.*

The following is a list of clothing and accessory items and their taxable (T) or exempt (E) status during the tax free period if they are sold for \$50 or less

A	C	F
T Accessories (generally)	E Braces and supports worn to correct or alleviate a physical incapacity or injury*	E Fanny packs
E • Barrettes and bobby pins	E Bras	T Fins
E • Belt buckles	T Briefcases	T Fishing boots (waders)
E • Bow ties	<b>C</b>	E Fishing vests (non-flotation)
E • Hair bows, clips, and bands	E Caps and hats	T Football pads
E • Handbags	T Checkbook covers (separate from wallets)	E Formal clothing (unless rented)
T • Handkerchiefs	T Chest protectors	<b>G</b>
T • Jewelry	E Choir and altar clothing*	T Garment bags
E • Neckwear	E Cleated and spiked shoes	E Garters and garter belts
T • Key cases	E Cleated and spiked shoes	E Girdles, bras, and corsets
E • Ponytail holders	E Clerical vestments*	E Gloves (generally)
E • Scarves	T Cloth and lace, knitting yarns, and other fabrics	T • Baseball
E • Ties	T Clothing repair items such as thread, buttons, tapes, iron-on patches, zippers	T • Batting
E • Wallets	E Coats and wraps	T • Bicycle
T • Watch bands	E Coin purses	E • Dress (unless rented)
T • Watches	T Corsages and boutonnieres	E • Garden
E Aerobic clothing	E Corsets and corset laces	T • Golf
E Antique clothing	T Cosmetic bags	T • Hockey
E Aprons/Clothing shields	E Costumes	E • Leather
T Athletic gloves	E Coveralls	T • Rubber
T Athletic pads	T Crib blankets	T • Surgical
E Athletic supporters	<b>D</b>	T • Tennis
<b>B</b>	E Diaper bags	E • Work
E Baby clothes	E Diapers, diaper inserts (adult and baby, cloth or disposable)	T Goggles (except prescription*)
E Backpacks	E Dresses	E Graduation caps and gowns
E Bandanas	T Duffel bags	E Gym suits and uniforms
E Baseball cleats	<b>E</b>	<b>H</b>
E Bathing suits, caps, and cover-ups	T Elbow pads	E Hair nets, bows, clips, and bands
E Belt buckles	E Employee uniforms	E Handbags and purses
E Belts		T Handkerchiefs
T Belts for weightlifting		T Hard hats
E Bibs		E Hats
E Blouses		T Helmets (bike, baseball, football, hockey, motorcycle, sports)
E Book bags		E Hosiery, including support hosiery
E Boots (except ski boots)		E Hunting vests
E Bowling shoes (sold)		
T Bowling shoes (rented)		
E Bow ties		

## I-J

- T Ice skates
- T In-line skates
- E Insoles
- E Jackets
- E Jeans
- T Jewelry

## K

- T Key chains
- T Knee pads

## L

- E Lab coats
- E Leg warmers
- E Leotards and tights
- T Life jackets and vests
- E Lingerie
- T Luggage

## M-N

- T Makeup bags
- E Martial arts attire
- E Neckwear and ties

## O-P

- E Overshoes and rubber shoes
- T Pads (football, hockey, soccer, elbow, knee, shoulder)
- T Paint or dust masks
- E Pants
- E Panty hose
- T Patterns
- T Protective masks (athletic)

## R

- E Raincoats, rain hats, and ponchos
- E Receiving blankets
- E Religious clothing\*
- T Rented clothing (including uniforms, formal wear, and costumes)
- T Repair of wearing apparel
- E Robes
- T Roller blades
- T Roller skates

## S

- E Safety clothing
- T Safety glasses (except prescription\*)
- E Safety shoes
- E Scarves
- E Scout uniforms
- T Shaving kits/bags
- E Shawls and wraps
- T Shin guards and padding
- E Shirts
- E Shoe inserts

- E Shoes (including athletic)
- E Shoulder pads (for dresses, jackets, etc.)
- T Shoulder pads (football, hockey, sports)
- E Shorts
- T Skates (ice, in-line, roller)
- T Ski boots (snow)
- T Ski vests (water)
- E Ski suits (snow)
- T Skin diving suits
- E Skirts
- E Slippers
- E Slips
- E Socks
- T Sports helmets
- T Sports pads (football, hockey, soccer, knee, elbow, shoulder)
- E Sports uniforms (except pads, helmets)
- T Suitcases
- E Suits, slacks, and jackets
- T Sunglasses (except prescription\*)
- E Suspenders
- E Sweatbands
- E Sweaters
- T Swimming masks
- E Swim suits and trunks

## T

- E Ties (neckties - all)
- E Tights
- E Tuxedos, excluding cufflinks and rentals

## U

- T Umbrellas
- E Underclothes
- E Uniforms (work, school, and athletic, excluding pads)

## V-W

- E Vests
- E Wallets
- T Watchbands
- T Water ski vests
- T Weight lifting belts
- T Wet and dry diving suits
- T Wigs, toupees, and chignons
- E Work clothes and uniforms

## School Supplies

The following is a list of school supplies and their taxable status if they are sold for \$10 or less during the tax exemption period.

- T Binders
- E Calculators
- E Cellophane (transparent) tape
- E Colored pencils
- E Compasses
- E Composition books

## School Supplies Continued

- E Computer disks (floppies and blank CDs)
- T Computer paper
- T Construction paper
- T Correction tape, fluid, or pens
- E Crayons
- E Erasers
- E Glue (stick and liquid)
- T Highlighters
- E Legal pads
- T Markers
- T Masking tape
- E Notebook filler paper
- E Notebooks
- E Paste
- E Pencils, including mechanical and refills
- E Pens, including felt, ballpoint, fountain, and refills, but not highlighters or markers
- T Poster board
- E Poster paper
- T Printer paper
- E Protractors
- E Rulers
- E Scissors
- T Staplers
- T Staples

## Books

The following is a list of books and their taxable status if they are sold for \$50 or less during the tax exemption period. Books are different from periodicals in that books are a set of printed sheets bound together and published in a volume.

Books are generally identified with an International Standard Book Number (ISBN), while periodicals are dated and generally have an issue number, but not an ISBN.

- T Audio books
- E Bibles\*
- T Books with no publisher
- E Books with a publisher
- E Children's books (published)
- E Foreign and old books (even without ISBN)
- T Greeting Cards
- E Instruction manuals (bound and published)
- T Magazines\*\*
- T Movies
- E Music books
- T Newspapers\*\*
- T Periodicals
- E Textbooks (published)

\* These items are always exempt as religious, prescription, prosthetic, or orthopedic items.

\*\* Subscriptions to newspapers and magazines that are delivered by mail remain exempt from tax.