

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

and duration. For example, Florida added five tax-free holidays, ranging from tools for ...

Jul. 21, 2022



Twenty states will forgo more than \$1 billion in revenue this year to enact a variety of sales tax holidays that ultimately offer poorly targeted benefits and undermine funding for public services, a new brief from the Institute on Taxation and Economic Policy (ITEP) finds. ITEP's updated sales tax holiday research brief, [*Sales Tax Holidays: An Ineffective Alternative to Real Sales Tax Reform*](#), highlights the flaws of this misguided policy approach.

Lawmakers are increasingly turning to sales tax holidays with unprecedented scope and duration. For example, Florida added five tax-free holidays, ranging from tools

for home improvement projects to Energy Star appliances, that will cost the state

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

Sales tax holidays are accompanied by problems like:

- **Poorly targeted approaches.** Wealthier taxpayers can receive the same benefit and have more flexibility to shift the timing of their purchases to take advantage of these tax breaks. Also, sales tax holidays aren't limited to state residents or local businesses, as online retailers in other states are included.
- **Cuts to state and local revenue.** The cost of sales tax holidays nearly doubled in 2022 from an estimated \$550 million just a year ago. Revenue lost through sales tax holidays will ultimately have to be made up elsewhere, either through budget cuts or increases to other taxes.
- **Retailer exploitation.** Retailers can increase their prices or water down their sales promotions during a tax holiday. One study of retailers' behavior during a sales tax holiday in Florida found that retailers reclaimed up to 20 percent of the price cut consumers thought they were receiving from the state's sales tax holiday.

Combined with the recent trend of states approving gas tax holidays, lawmakers continue to use these policy measures as a substitute for more meaningful, permanent reform while weakening states' ability to invest in crucial priorities like infrastructure and education.

[Benefits](#) • [Sales Tax](#) • [Taxes](#)

CPA Practice Advisor is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors.

© 2024 Firmworks, LLC. All rights reserved