Budget-conscious shoppers welcome sales tax holiday

What is the sales tax holiday?

■ Designed to help consumers with back-to-school expenses. The state eliminates the 6-cent local sales tax on certain items for one three-day weekend in August. The sale begins at 12:01 a.m. Friday and ends at midnight Sunday.

Is it limited to school supplies?



■ No, only about 29 percent of the exempt goods are directly related to items that students in K-12 probably would use for school-related activities.



HEIDI HEILBRUNN / Staff

Staples employee Chance Cooper stocks school supplies at the McBee Station store in preparation for the tax holiday.

"I think this kind of environment will bring people out more than in other years. I expect we will see a pretty busy weekend."

– Don Schunk, research economist, Coastal Carolina University



Cash-strapped state could be out nearly $3 million from 3-day event

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Christmas in August?

That's what shoppers and retailers are looking for in South Carolina's back-to-school sales tax holiday, an annual event on the first three-day weekend in August.

With the economy stuck in recession, consumers want deals and stores want shoppers. Both sides may be able to declare victory.

The recession is likely to draw more crowds to stores during the sales tax holiday weekend than in the past, said Bruce Yandle, dean emeritus of Clemson University's College of Business and Behavioral Science. The event begins at 12:01 a.m. Friday and ends at midnight on Sunday.

"What I'm looking for that weekend is sales," said Jennifer White, a mother of three school-age children. "The sales tax doesn't do it. But that plus a sale would be interesting. Seems they want us to shop, so they need to make things cheaper."

Don Schunk, research economist with Coastal Carolina University, said, "Consumers right now are hungry for any kind of deal. This year you'll probably see a broader range of shoppers buying a broader range of items," including gifts and other items not related to school.

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But Mel Lester, who was shopping for summer shorts for her two children, said she probably wouldn't shop on the sales tax holiday weekend.

"You don't save enough to make it worth fighting the crowds," she said. "Besides that, I'm cutting back — way back — on what I spend on back-to-school stuff. The kids know we're spending less, just what they absolutely have to have."

South Carolina consumers together save an average of $2.9 million in sales tax expenses during the sales tax holiday, according to the state Department of Revenue.

The state loses the same amount of money in taxes collected.

Adrienne Fairwell, spokeswoman for the Revenue Department, said the numbers are averages because the department no longer tracks the taxes saved by consumers as it did when the sales tax holiday began in 2000.

South Carolina's sales tax is 6 cents on the dollar. In addition, local sales taxes also are eliminated dur-

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ing the weekend, which is designed to help consumers with back-to-school expenses. Among the items included are computers, school supplies, clothing, bedding and ski suits.

In addition, the General Assembly has included a second annual sales tax holiday for handguns, rifles and shotguns the weekend after Thanksgiving.

The school-related sales tax holiday "is a much celebrated event. It is a bit of good news and blue sky," Yandle said. "It is my feeling that people will take advantage of it," maybe more than in years past.

"Basically, the state is generating interest among individuals to go out and shop. That's good," said John DeWorken, the Greenville Chamber's vice president for public policy. "The state is putting $2.9 million in the pockets of the consumers who hopefully will go out and spend that money, spurring the economy."

Although more shoppers may turn out, the National Retail Federation found in a survey that four of five participants said the economy would affect their purchases for the back-to-school season. They expect to buy only what is needed, check for coupons and hit the sales.

"The economy has clearly changed the spending habits of American families, which will likely create a difficult back-to-school season for retailers," said Tracy Mullin, president and chief executive of NRF. "As people focus primarily on price, strong promotions and deep discounts will ultimately win over back-to-school shoppers this year."

Spending for elementary and secondary school students is expected to decline 7.7 percent to $548.72, the National Retail Federation predicted. College-bound students and their parents expect to spend an average of $618.12 this year, up 3 percent from $599.38 in 2008. However, overall college spending is expected to decrease, as fewer students attend college this year and 58.5 percent live at home.

Textbooks aren't taxed in South Carolina, so the sales tax holiday doesn't give any extra savings. However, Jason Matousek, manager of Clemson Student Book Store in Clemson, said the holiday brings in additional business because people can save tax dollars on office supplies and other materials.

Many Clemson University students have already ordered their laptop computers through the university because the deadline was July 31 to ensure delivery in time for classes, said Pam Bowen, in the communications department of Clemson's Computing and Information Technology Department. About 80 percent of Clemson freshmen buy laptops through the university, she said.

Students who still need to purchase laptops will be able to take advantage of the tax break this weekend if they choose to buy Apple products at the authorized Apple store on the campus, Bowen said.

In addition, students who already have purchased laptops can take advantage of the sales tax holiday to buy computer accessories, such as printers, flash drives, cables and other computer supplies at the campus Apple store, she said. The Apple store is open Friday and Saturday from 9 a.m. until 4:30 p.m.

While consumers and the retail sector are helped by people rearranging their purchases to fit in the time frame, South Carolina "is hurting for revenues," Yandle said.

Sales tax revenue in June dropped 6.7 percent, or $13.8 million, compared with June 2008. It was off 8.5 percent, or $190.5 million, for the year, said Richard Eckstrom, state comptroller general.

Also, individual income tax revenue in June was down 10.1 percent, or $36.8 million, compared with revenues for the previous June, and off 15.4 percent, or $512.6 million, for the year as whole, he said.

Still, Yandle said he doesn't expect the General Assembly to decide to eliminate the sales tax holiday this year. When it comes to personal expenditures versus state revenues, the personal is likely to win out with consumers and legislators.

DeWorken said the money lost by the state is a small percentage of the entire budget. The possibility of increasing consumer spending is worth the loss, he said.

Although reduced state revenues can mean reduced state services, "I think for most of us, the effects of the reduction in service are limited," Yandle said. Few residents experience daily, weekly or even monthly contact with the provision of state services.

The line at the Department of Motor Vehicles might be longer when it's time to renew a tag, he said. There could be fewer teachers, but no child will be told there's not space in a classroom. There might be fewer highway patrolmen on the roads, but most motorists won't notice that, he said.

The residents that might experience a reduction of services tend to be those who are "politically silent," such as low-income residents, he said.

Yandle also said that many of those who will benefit from the elimination of sales taxes on school-related items are likely to be the same as those hurt by reduced services.

What you can buy

- Clothing and accessories including hats, scarves, hosiery and handbags
- Shoes
- School supplies including pens, pencils, paper, binders, notebooks, books, bookbags, lunchboxes and calculators
- Computers, printers, printer supplies and computer software
- Blankets, bedspreads, bed linens, sheet sets, comforter sets, bath towels, shower curtains, bath rugs and mats, pillows and pillowcases

What you can't buy

- Jewelry, cosmetics, eyewear, wallets, watches
- Furniture
- Items placed on layaway or similar deferred payment and delivery plan
- Rental of clothing or footwear
- A sale or lease of an item for use in a trade or business