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## **STATE AND LOCAL ADVISORY COUNCIL**

### **Definitions for Disaster Preparedness Products for Sales Tax Holidays (July, 2009)**

#### **Background**

Section 322 of the Streamlined Sales and Use Tax Agreement provides that only items that are specifically defined in the Agreement may be exempted for sales tax holiday exemption periods. Efforts have begun in some states to encourage the purchase of items in anticipation of disaster situations, such as hurricanes, tornadoes, and tropical storms. The adoption of a definition for disaster preparedness items would enable a member state with a sales tax holiday to enact an exemption if the state so chose.

#### **Limitation to Sales Tax Holidays**

The State and Local Advisory Council recommends that a definition for disaster preparedness products be placed in Part III B of the Agreement, which currently defines Energy Star Qualified Products and school supplies. Placement of definitions for disaster preparedness products in Part III of the Agreement would limit the restriction on their use by member states to sales tax holiday periods and would permit member states that have adopted permanent exemptions for some of the products that would be included in the definition to maintain those exemptions.

#### **Basis of the Classification and Definition**

Currently, three states have enacted a sales tax holiday for hurricane preparedness items. These states include Florida, Louisiana, and Virginia. While each of the three states' holidays exempt hurricane preparedness equipment, an expansion of the holiday title to include equipment purchased in preparation for other disasters would encompass the same categories of items, and would acknowledge other disasters, which necessitate the purchase of these supplies. The proposed definition for disaster was developed using several states' statutory definition of disaster.

The various exempt items under each of the three states' holidays can be divided into four classifications: 1) general disaster preparedness supplies; 2) disaster preparedness

safety supplies; 3) disaster preparedness food-related supplies; and 4) disaster preparedness fastening supplies.

The proposed list of items would encompass all of the items that are exempt during Florida, Louisiana, and Virginia's Hurricane Preparedness Sales Tax Holidays. The list would also add satellite phones, which can be used in emergency situations (i.e., when a cell phone tower has been destroyed).

Virginia and Florida both set out specific items that are exempt during their Hurricane Preparedness holiday periods and set a price threshold for qualifying items. Louisiana provides that the first \$1,500 of the sales price of all items included within the state's specified list be exempt from the state's sales tax. Louisiana also prohibits the exemption for qualifying items purchased at airports, public lodging establishments, hotels, convenience stores, or entertainment complexes.

## **Recommendations**

The workgroup recommends that the following definition be adopted for "Disaster Preparedness Supply:"

"Disaster Preparedness Supply" means an item purchased in preparation or response to a disaster, including any fire, flood, storm, tidal wave, earthquake, or similar public calamity, whether man-made, resulting from war, or resulting from natural causes. "Disaster Preparedness Supply" shall include the following categories of items: 1) general disaster preparedness supplies; 2) disaster preparedness safety supplies; 3) disaster preparedness food-related supplies; and 4) disaster preparedness fastening supplies.

The following items are included under each category:

### Disaster Preparedness General Supplies

- Batteries (excluding automobile and marine batteries) AAA, AA, C, D, 6 volt or 9 volt
- Cellular telephone batteries and chargers
- Satellite phones
- Self-powered light sources
- Portable self-powered radios, two-way radios, weather-band radios and NOAA weather radios
- Gas or diesel fuel containers
- Non-electric food storage coolers
- Portable generators
- Storm shutter devices

### Disaster Preparedness Safety Supplies

- Carbon monoxide detectors
- Smoke detectors
- Fire extinguishers
- First aid kits

### Disaster Preparedness Food-Related Supplies

- Artificial ice
- Water storage container
- Manual can opener
- Bottled water

### Disaster Preparedness Fastening Supplies

- Bungee cords
- Rope
- Ratchet straps
- Duct tape
- Boat anchor
- Fender, anchor chain, dock line or similar device
- Tarpaulins and other flexible waterproof sheeting
- Ground anchor or tie down kits

A state that wishes to exempt “disaster preparedness supplies” during a sales tax holiday may:

- 1) exempt all disaster preparedness qualified supplies; or
- 2) exempt specified classifications of supplies

This approach would limit the application of the exemption to a list of specified items in order to promote more uniformity in the states, but would provide states the flexibility of exempting specified categories, if they so chose.