



## Retailers brace for tax-free holiday

The big question: Is it enough to bring back-to-school shoppers back?

By [Jim Tarpe](#)

The Atlanta Journal-Constitution

3:53 p.m. Friday, July 24, 2009

Cash registers might not ring quite as loudly this year as Georgia kicks off its annual tax-free holiday aimed at back-to-school shoppers. There is a recession, after all.

Retailers hope the July 30-Aug. 2 period of sales tax-free shopping on everything from corsets to computers will jump-start consumer spending as the second-most important retail season of the year gets under way.

Many metro Atlanta shopping malls and merchants have geared up with special promotions, extended hours and additional staff.

Best Buy is wasting no time — its stores will open at 12:01 a.m. Thursday for two hours for shoppers who want to get a jump on high-end electronics. Kohl's is offering "Kohl's Cash," coupons based on tax-holiday purchases that can be redeemed later. Wal-Mart is increasing its laptop inventories by 40 percent.

But early forecasts indicate consumers will be a tough sell. Electronics could be the one bright spot, with sales projected to jump 11 percent over last year. But two national surveys found that back-to-school shoppers plan to spend less this year than they did in 2008, as the grinding recession continues to wear down people's wallets and outlooks.

"A lot of people are out of jobs, and if they still have one they are concerned that they might not have one six months from now," said David Herskovits, a partner in the Atlanta office of Deloitte LLP. "There's a lot of cautiousness out there."

This is the eighth year Georgia has offered back-to-school shoppers a tax break on clothing, school supplies and computers. Tax holidays — more than a dozen states offer similar incentives — are a boon for politicians who enact them, a bit of price relief for consumers and a ray of hope for recession-stressed retailers.

"For some people, \$10 to \$15 in tax savings can mean a backpack or a new T-shirt," said Wal-Mart regional spokesman Daniel Morales. "We are encouraging shoppers to do the math."

John Heavener, a spokesman for the Georgia Retail Association, said retail sales are down about 4.5 percent in the state this year. He said retailers are "cautiously optimistic" about this tax-free period.

"Most years we see the economy get a shot in the arm that carries on through September," Heavener said. "We just hope that happens this year. I hope we break even with last year; that would be a good thing."

Decatur resident Duran Dodson said she will take advantage of the tax-free period to shop for her 10-year-old son, Sam.

"We'll probably buy school supplies, shoes and clothes," said Dodson, an immigration attorney. "I don't really plan computer purchases around it, but I'll probably take advantage of it."

Dodson said many of her friends with more than one child plan major shopping outings around the tax-free holiday.

DeKalb County resident Laurie Foley, who has a 12-year-old son, said she will likely not take advantage of the tax-free shopping period.

"Honestly, with the crowds, it's just not worth it for me," she said.

Economists give the tax-free promotions mixed reviews. Some see them as little more than political gimmicks with little overall economic impact.

C. Britt Beemer, of the consumer behavior research firm America's Research Group, said the tax-free incentives do work.

"But they work the best on top of what retailers are doing already," Beemer said. "Sometimes you could get an 8 or 9 percent bump in traffic during these events."

Michael Reksulak, an economics professor at Georgia Southern University in Statesboro, said tax holidays have little overall impact on the economy.

"Most of the measured increase in consumption can likely be explained by consumers either delaying or accelerating purchases that they would have made anyway," he said.

Economists point out that tax holidays drain revenues from state and municipal coffers, a questionable practice when state workers are being furloughed and cities are struggling to keep police and firefighters on the payroll.

Ken Heaghney, Gov. Sonny Perdue's chief economist, said the state has projected that about \$13 million in state taxes will be lost on sales of about \$330 million during the tax holiday. He stressed that those numbers are just a guess, and pointed out that the estimate was made last fall, when the full extent of the current downturn was not fully apparent. About \$9.9 million in municipal taxes could be lost, he said.

Retailers, meanwhile, have proposed vastly expanding the tax-free sales periods. Earlier this year, the National Retail Federation asked President Barack Obama to consider three nationwide sales-tax holidays to boost the economy. Those 10-day periods would cost the federal government a whopping \$20 billion in federal tax dollars that would be used to reimburse the states for revenues lost during the tax-free periods.

So far, no word from the White House on the idea.

---

Find this article at:

<http://www.ajc.com/business/retailers-brace-for-100054.html>

 [Print this page](#)  [Close](#)