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## Tax break may be more headache than holiday

**By Kathleen McLaughlin**  
*Staff Writer*

Mark Kazanjian, the owner of Whirlaway Golf Center in Methuen, has been doing business in the shadow of tax-free New Hampshire for years.

"It hasn't been easy. People actually refer to shops half an hour from here," he said. "You hate to hear that."

So he was overjoyed to learn that Massachusetts declared Saturday, Aug. 14, a day of no sales tax on almost every item for personal use costing less than \$2,500.

"That's a wonderful thing," Kazanjian said. "I wish they did that for a week. They've been talking about that for years."

Massachusetts will become the 10th state to declare a statewide "tax holiday." The Legislature passed the law last year as part of an economic stimulus package, and it is relatively unrestricted, though there is a list of things for consumers and retailers alike to be aware of. But while most states offer tax relief on only clothing, school supplies and computers, the only exceptions in Massachusetts will be cars, boats, utilities and restaurant meals.

That means consumers might see noticeable savings on big-ticket items like appliances and golf clubs. The state Department of Revenue estimates it will lose \$6 million to \$10 million for the day.

And while the state is losing money, the economic benefit is questionable. Consumers tend to latch on to tax savings, but one retail

consultant said whether the holidays generate additional sales is unclear, and the red tape involved with the holiday can make it something of a headache for retailers.

"It simply accelerates or delays purchases," Chicago-based retail consultant Diane Yetter said. "If you were not in the market for a big-screen TV, would you go out and buy one just because you could save 5 percent. It's probably more just shifting."

Yetter said her clients, for whom she helps manage sales tax reporting, don't like the holidays because they aren't worth the hassle of reprogramming systems. She said the dollar-amount criteria in Massachusetts, instead of a list of specific items, might be easier to deal with. One drawback is that people buying items worth \$1,000 or more will have to sign a statement promising that it's for personal use, she said. Stores will have to keep those records for three years.

"This is just one of many things that makes sales tax so confusing," said Jon Abolins, senior vice president of operations at Taxware, a Salem, Mass., company that makes software to automatically calculate and remit taxes. Taxware's customers include Home Depot, Wal-Mart and other multistate businesses.

"It is very gimmicky," Abolins said of the holiday. "This is a pretty cheap tax break to make for a state. People love to shop tax free."

The addition of Massachusetts to the list of states offering tax holidays was not enough to prompt any new software sales, Abolins said. The company will automatically update the software for its customers.

Department of Revenue spokesman Tim Connolly said the state has notified retailers through e-mail sent to tax professionals. Other than the personal-use certification, he said, there won't be any special forms to use. The department also issued a bulletin on how to deal with special circumstances, such as layaway purchases, coupons and taxes collected by mistake.

Kazanjian doesn't expect a problem. "I'll just hit the 'no tax' button," he said.

Aaron Millett of Riverside Cycles in Newburyport said he didn't know that the tax-free day was coming up, but now he plans to build a promotion around it.

"Sales tax is insignificant, but there's a perceived savings for the

consumer," he said.

Dan MacDonald, the general manager at Borders bookstore at The Loop in Methuen, said that having tax-free Salem, N.H., as a neighbor to the north seems to have eliminated many of the places that used to sell big-ticket items in the Merrimack Valley. Now instead of Sears, The Loop is home to clothing stores (where all items under \$175 are tax-free) and places like Borders, where most purchases are \$20 or under.

That's not enough to send most people out of their way, MacDonald said.

"A 5 percent discount is not a door-beater."