

## 2021 Freedom Week Sales Tax Holiday Frequently Asked Questions for Sales and Use Tax Dealers

### TAX-EXEMPT ITEMS

#### 1. What happens during the 2021 Freedom Week Sales Tax Holiday?

During the week of July 1-7, 2021, purchases of admissions to music events, sporting events, cultural events, specified performances, movies, museums, state parks, and fitness facilities for events to be held from July 1 through December 31, 2021, will be tax-free in Florida. Purchases of certain annual passes and season tickets are also exempted.

This sales tax holiday also applies to sales of boating and water activity supplies, camping supplies, fishing supplies, general outdoor supplies, and sports equipment.

#### 2. What specific items will be tax-free?

- **Admissions**

- Live music events\*+
- Live sporting events\*
- Movies\*
- Museum entry, including annual passes
- State park entry, including annual passes
- Ballets\*+
- Plays\*+
- Musical theater performances\*+
- Fairs\*
- Festivals\*
- Cultural events\*
- Private and membership clubs providing physical fitness facilities\*

*\*To be held on any date(s) from July 1, 2021, through December 31, 2021*

*+Including season tickets*

- **General Outdoor Supplies**

- The first \$15 of the sales price of:
  - Sunscreen
  - Insect repellent

- The first \$30 of the sales price of:
  - Water bottles
- The first \$50 of the sales price of:
  - Hydration packs
  - Bicycle helmets (bicycle helmets for youth always exempt)
- The first \$100 of the sales price of:
  - Sunglasses
- The first \$200 of the sales price of:
  - Binoculars
- The first \$250 of the sales price of:
  - Outdoor gas or charcoal grills
  - Bicycles
- **Fishing Supplies**
  - The first \$5 of the sales price of:
    - Bait or fishing tackle if sold individually (the first \$10 if sold as a set)
  - The first \$30 of the sales price of:
    - Tackle boxes or bags
  - The first \$75 of the sales price of:
    - Rods and reels if sold individually (the first \$150 if sold as a set)
- **Boating and Water Activity Supplies**
  - The first \$25 of the sales price of:
    - Snorkels
    - Goggles
    - Swimming masks
  - The first \$50 of the sales price of:
    - Safety flares
  - The first \$75 of the sales price of:
    - Life jackets
    - Coolers
    - Paddles
    - Oars
  - The first \$150 of the sales price of:
    - Water skis
    - Wakeboards
    - Kneeboards
    - Recreational inflatable water tubes or floats capable of being towed
  - The first \$300 of the sales price of:
    - Paddleboards
    - Surfboards
  - The first \$500 of the sales price of:
    - Canoes
    - Kayaks
- **Camping Supplies**
  - The first \$30 of the sales price of:
    - Camping lanterns
    - Flashlights

- The first \$50 of the sales price of:
  - Sleeping bags
  - Portable hammocks
  - Camping stoves
  - Collapsible camping chairs
- The first \$200 of the sales price of:
  - Tents
- **Sports Equipment**
  - Any item used in individual or team sports, not including clothing or footwear, selling for \$40 or less.

**3. Are baseball gloves, soccer kneepads, and football cleats included in the “sports equipment” exemptions during the Freedom Week Sales Tax Holiday?**

Baseball gloves and soccer kneepads are considered sports equipment and are therefore included in the tax exemptions. Cleats, however, are considered footwear and are not included.

**ITEMS NOT EXEMPT UNDER THIS SALES TAX HOLIDAY**

**4. The Freedom Week Sales Tax Holiday coincides with the Fourth of July. Are fireworks exempt from sales tax?**

No, sales of fireworks are not exempt.

**5. Why aren’t American flags included on the list of exempt items?**

Florida’s statutes specifically exempt American and Florida flags from sales and use tax. These are always exempt and do not need to be included in the list of items exempt during the sales tax holiday on specific admissions and outdoor activity supplies.

**6. Are inflatable pool toys included in the “boating and water activity supplies” exemptions during the Freedom Week Sales Tax Holiday?**

No, pool toys are not exempt during this holiday period; only inflatable recreational water tubes and floats that are capable of being towed are included.

**7. Are supplies used for commercial fishing purposes included under “fishing supplies” in the Freedom Week Sales Tax Holiday?**

No, only fishing supplies sold for personal use are included in the sales tax holiday’s exemptions.

**8. What other exclusions apply to the tax-exempt items listed above?**

The sales tax holiday does **not** apply to the rental or repair of any of the qualifying items listed above. It also does **not** apply to sales in a theme park, entertainment complex, public lodging establishment, or airport.

## **BUY ONE, GET ONE FREE SPECIALS**

- 9. If my store offers a “buy one, get one free” special on camping lanterns and a customer purchases a lantern for \$50 and gets another for free, will the transaction be tax-free because the customer is effectively paying \$25 (less than the \$30 exemption) for each lantern?**

No. The total price of items advertised as “buy one, get one free” or “buy one, get one for a reduced price” cannot be averaged for both items to qualify for the exemption. In this case, \$30 of the total sale is tax-exempt; the remaining \$20 is taxable.

## **SETS CONTAINING BOTH EXEMPT AND TAXABLE ITEMS**

- 10. If my store offers a qualifying item that is sold together with non-qualifying taxable merchandise as a set or single unit, is the entire set still subject to sales tax?**

Yes. For example, an outdoor gas grill might be sold in a package that includes a full tank of propane fuel for \$350. Although the first \$250 of the price of the grill would qualify for the tax exemption if sold separately during the sales tax holiday period, the propane fuel does not qualify. The full sales price of \$350 is taxable.

## **REFUNDS/EXCHANGES**

- 11. A customer returns an item that was purchased before the Freedom Week Sales Tax Holiday and exchanges it for another item during the sales tax holiday period. The new item is exempt from tax during the sales tax holiday period. Do I give the customer a tax refund?**

Yes. The business must have documentation (e.g., receipts or invoices) showing that tax was paid on the item at the time of the original purchase.

- 12. If a customer returns a qualifying exempt item and is given an item of equal price after the Freedom Week Sales Tax Holiday, is sales tax due on the new item?**

If a customer buys an item exempt from tax during the sales tax holiday period and exchanges it for the same type of item (e.g., different size or color) after the sales tax holiday period expires, no tax will be due.

If a customer buys an item that is exempt from tax during the sales tax holiday period and returns the item after the sales tax holiday period and gets a different type of item, sales tax will apply to the new purchase, even if it is the same price.

## COUPONS, DISCOUNTS, AND REBATES

### **13. Why does a store discount coupon reduce the sales price of a qualifying item, but a manufacturer's coupon or rebate does not?**

The sales price of an item includes all consideration received by the retail seller for that item. Sales price is not limited to the amount paid by a customer. A coupon, discount, or rebate offered by a retail seller reduces the sales price because it reduces the total amount received by the retail seller for the item.

When a retail seller is reimbursed for the amount of any discount created by a manufacturer's coupon, discount, or rebate, the amount of the reimbursement is included in the taxable sales price of the item.

**Manufacturer's coupon example:** During the Freedom Week Sales Tax Holiday, a swimming mask sells for \$40. The customer uses a \$5 manufacturer's coupon when purchasing the mask. Although the customer pays \$35 for the mask, the retail seller's sales price remains \$40 because the seller will receive a total of \$40 for the item: \$35 from the customer and \$5 from the manufacturer. Only \$25 of the \$40 sales price qualifies for the exemption during the sales tax holiday period.

**Manufacturer's rebate example:** During the sales tax holiday period, a life jacket sells for \$100. The manufacturer is offering a \$15 instant rebate that is redeemed at the time of purchase. Although the purchaser pays \$85, the retail seller's sales price remains at \$100 because the seller will receive a total of \$100 for the item: \$85 from the purchaser and \$15 from the manufacturer. Only \$75 of the \$100 sales price qualifies for the exemption during the sales tax holiday period.

**Store discount coupon example:** During the sales tax holiday period, a tent sells for \$250. The retail seller is offering a 10% discount. After applying the 10% discount, the discounted sales price for the tent is \$225. Only \$200 of the \$225 sales price qualifies for the exemption during the sales tax holiday period.

## GIFT CARDS

### **14. If a gift card is purchased during the Freedom Week Sales Tax Holiday, can the customer purchase a qualifying item tax-exempt after the sales tax holiday ends?**

No. The purchase of the qualifying item must be made during the sales tax holiday period to be tax-exempt. However, when qualifying items are purchased during the sales tax holiday period using a gift card, the items are tax-exempt; it does not matter when the gift card was purchased.

## RAIN CHECKS

**15. If a rain check is issued during the Freedom Week Sales Tax Holiday, can it be used after the sales tax holiday to purchase the item tax-exempt?**

No. The purchase of the qualifying item must be made during the sales tax holiday period to be tax-exempt. When a rain check is issued, a sale has not occurred. The sale occurs when the rain check is redeemed, and the item is purchased.

## **LAYAWAY SALES**

**16. Are items placed on layaway eligible for the tax exemption during the Freedom Week Sales Tax Holiday?**

Yes. A layaway is when an item is set aside for a customer who makes a deposit, agrees to pay the balance of the purchase price over a period of time, and receives the merchandise at the end of the payment period. Qualifying items placed on layaway during the sales tax holiday period are tax-exempt, even if final payment of the layaway is made after the sales tax holiday period. If a customer makes a final payment and takes delivery of the items during the sales tax holiday period, the qualifying items are tax-exempt.

## **MAIL ORDER, CATALOG, OR INTERNET SALES**

**17. Do the exemptions during the Freedom Week Sales Tax Holiday apply to mail order, catalog, or internet sales?**

Yes. All mail order, catalog, or internet sales of qualifying items during the sales tax holiday are tax-exempt when the order is accepted during the sales tax holiday period for immediate shipment, even if delivery is made after the sales tax holiday period.

An order is accepted by the mail order company when action has been taken to fill the order for immediate shipment. Actions to fill an order include assigning an "order number" to a telephone order, confirming an internet order by an email to the customer, or placing a date received on an order received by mail.

An order is considered to be for immediate shipment when delayed shipment is not requested by the customer. An order is for immediate shipment even if the shipment may be delayed because of a backlog of orders or stock is currently unavailable or on back order.

**18. How does sales tax apply toward shipping charges for items purchased by mail order or through a catalog or the internet?**

Shipping charges separately stated on a customer's invoice are part of the sales price of each item listed on the sales invoice. You must proportionately allocate the shipping charges among the items ordered. The amount of each item is

divided by the total amount of all the items ordered to obtain the percentage that each item bears towards the total order. Multiply the total shipping charge by the percentage for each item to determine the amount of the shipping charge applicable to each item.

**Example:** A customer orders a \$50 camping lantern and a \$100 camping stove, for a total price of \$150, during the Freedom Week Sales Tax Holiday. The shipping charge is \$25.

Camping lantern – Cost of camping lantern/total cost:  $\$50 / \$150 = 33.33\%$

Shipping charge for camping lantern:  $33.33\% \times \$25 = \$8.33$

Total sales price for the camping lantern:  $\$50 + \$8.33 = \$58.33 + \text{tax}$

Camping stove – Cost of camping stove/total cost:  $\$100 / \$150 = 66.67\%$

Shipping charge for camping stove:  $66.67\% \times \$25 = \$16.67$

Total sales price for the camping stove:  $\$100 + \$16.67 = \$116.67 + \text{tax}$

The price of the camping lantern is now \$58.33 with the shipping charge included; \$30 of that price is exempt, so sales tax is owed on the remaining \$28.33.

The price of the campaign stove is now \$116.67 with the shipping charge included; \$50 of that price is exempt, so sales tax is owed on the remaining \$66.67.

## **MERCHANT'S LICENSE OR OTHER FEES (TWO CITIES IN BAY COUNTY ONLY)**

### **19. How do I handle the 1% merchant's license fee (sometimes referred to as a *gross receipts fee*) in Panama City or Panama City Beach during the Freedom Week Sales Tax Holiday?**

When stores located in these two cities charge customers the 1% fee, it is part of the sales price subject to sales tax, even when the fee is separately stated on a receipt or invoice.

**Example:**

|                              |                 |
|------------------------------|-----------------|
| Price of paddleboard         | \$350.00        |
| 1% merchant's license fee    | <u>+ \$3.50</u> |
| Taxable value of paddleboard | \$353.50        |

The price of the paddleboard is now \$353.50 with the 1% merchant's license fee included; \$300 of that price is exempt, so sales tax is owed on the remaining \$53.50.

## **TAX COLLECTION RESPONSIBILITIES**

**20. Are businesses responsible for correctly exempting qualifying items during the Freedom Week Sales Tax Holiday?**

Yes. Businesses are responsible for correctly exempting qualifying items during the sales tax holiday period. If you have a question about a specific item that is not listed in Tax Information Publication No. 21A01-05, contact the Department of Revenue at (850) 488-6800.

**21. Do I need to change my accounting system to show the temporary exemptions?**

Your accounting system should adequately identify all items sold that are exempt from tax, including those items sold tax-exempt during the Freedom Week Sales Tax Holiday.

**22. Do I need to account for exempt sales differently than other tax-exempt sales during the Freedom Week Sales Tax Holiday?**

No. There are no additional record-keeping requirements.

**23. What should I do if I mistakenly collect tax on an item that should be exempt from tax during the Freedom Week Sales Tax Holiday?**

You should refund the tax to your customer(s). If the tax cannot be refunded, you must report and pay the tax to the Department.

**24. What if a customer comes back after the Freedom Week Sales Tax Holiday for a refund of the tax they inadvertently paid, but I have already remitted the tax to the Department?**

You should refund the tax to your customer. You may take a credit on your next sales and use tax return for the tax refunded to the customer.

**25. Does a business have the option of not participating in the Freedom Week Sales Tax Holiday?**

No. However, the sales tax holiday does not apply to sales in a theme park, entertainment complex, public lodging establishment, or airport.

### **ADDITIONAL INFORMATION**

**26. Who is responsible for the list of exempt items?**

The Freedom Week Sales Tax Holiday is established through the lawmaking authority of the Florida Legislature. Sales tax holidays, and the items exempted by the tax holiday, must be passed into law by the Florida Legislature.

**27. How can I request that a certain item be added to the list?**

Sales tax holidays, and the items exempted by the tax holiday, are passed into law by the Florida Legislature. You may wish to contact your local representative regarding your suggestion.

**28. I didn't see my question listed here. Where can I find additional information about the 2021 Freedom Week Sales Tax Holiday?**

If you have a question about a specific item that is not listed in Tax Information Publication No. 21A01-05, contact the Florida Department of Revenue at (850) 488-6800.