



# A computer in every home?

*Some states are adding computers to the list of items covered during sales-tax holidays.*

**BY KEVIN KINNAIRD**

**S**ales-tax holidays are becoming an issue again on some state-house floors, but this time around it's not just back-to-school clothing that's up for grabs.

In a move officials say could help bridge the digital divide and stimulate retail sales, some lawmakers are trying to pass legislation that not only designates specific days as sales-tax holidays, but also throws personal computers and computer-related products into the mix.

The idea behind sales-tax holidays – a day or time period set aside by law when consumers can make purchases on specific items and not pay state sales taxes – isn't new. But adding computer systems or computer-related products to the list of applicable items is a relatively new twist.

Until last year, those tax-free shopping days were restricted to clothing and school supplies, but two states, Pennsylvania and South Carolina, were the first to pass legislation that included computers and computer-related products, according to *Suggested State Legislation 2001*, vol. 60, published by The Council of State Governments.

As part of a revenue bill during the 2000 session, Pennsylvania granted sales-tax relief on purchases of personal computers during sales-tax holidays. The Legislature gave residents the opportunity to buy personal computers and software without paying sales tax during one-week periods in 2000 and 2001.

Though South Carolina's residents were granted only a three-day holiday

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Pennsylvania Gov. Tom Ridge helped push through sales-tax relief for personal computer purchases.

period in each of the two calendar years, officials made the holiday-shopping rules broader in their coverage of technology products.

From the consumer point of view, a sales-tax break could be enough to encourage consumers who do not own a personal computer to buy one because of the savings. From a retail point of view, it gets customers into stores and boosts sales. And from the state's point of view, it keeps spending within the state.

Kentucky was among states considering a sales-tax holiday in 2001 sessions.

Kentucky Rep. Robert Damron, author of a bill on the subject, announced Feb. 27 that because this year is not a budget session, he would push the bill again in the 2002 General Assembly.

Damron's proposal, however, is a signal of a willingness to sacrifice state revenues to close the digital divide. Kentucky HB 4, which called for the elimination of state sales tax on back-to-school items such as clothing, shoes and paper during the first week of August each year, also proposed exempting computer purchases for personal use.

Damron said he sponsored the bill because Kentucky still lags behind other states in the number of personal computers in homes and in home connections to the Internet. Children also need computers to keep up with schoolwork, he said.

Damron said that adding personal

computers to the mix may prove to be as popular with consumers in Kentucky as it was in Pennsylvania and South Carolina.

The state could lose an estimated \$4.5 million in sales-tax revenue during a week tax holiday.

Besides Kentucky, sales-tax holidays covering personal computers and computer-related products also have been proposed this year in California, Georgia,

New Jersey, Ohio and Virginia, according to Doug Johnson, director of technology policy for the Consumer Electronics Association.

"We saw the idea as being a way to narrow the digital divide by making computer products a little bit more affordable," Johnson said. "(It's) an inspiration to buy a computer, and get

technology in homes of more people."

The CEA ([www.CE.org](http://www.CE.org)) is a Virginia-based high-tech trade organization that represents more than 600 companies, Johnson said.

Johnson said the feedback from consumers, retailers and policy-makers on sales-tax holidays has been positive. "Everyone has a different interest in this," he said.

In Pennsylvania and South Carolina, the CEA worked with retailers and retail organizations to promote the idea in an effort to ensure success in the marketplace, according to the organization's Web site. The effort increased sales of computer products by 60 percent in Pennsylvania and 80 percent in South Carolina.

"We think it's a real winner issue," Johnson said. "We noticed a trend last year – we thought, 'Gee, why not computers for good reasons?' " ★

## A digital divide remains

Computers are now in more than half of all U.S. households, the Commerce Department reported in October. Some 53.7 million households, or 51 percent, have computers, according to the latest survey of computer usage. In December 1998, only 42 percent of all U.S. households had computers. The report, *Falling through the Net: Toward Digital Inclusion*, showed gaps remain in computer access based on race, income, geography and education. However, access to computers and the Internet has increased dramatically for blacks and Hispanics since the 1998 survey. Among the report's findings:

- Internet access in homes has risen from 19 percent in 1998 to 42 percent in August 2000.

- The gender gap has closed, with 45 percent of men and 44 percent of women using the Internet.

- The percentage of households with Internet access varies by state, with more than 50 percent of all households having access in Alaska, Colorado, Connecticut, Delaware,

New Hampshire and Oregon. Internet access is lowest in Arkansas and Mississippi at 26 percent each.

- Computer ownership also varies among states, with Utah leading at 66 percent, followed by Alaska at nearly 65 percent and Washington at 60 percent. The lowest ownership rates were in Mississippi and Arkansas at 37 percent each.

- Internet access increases with educational attainment, as more than 60 percent of households headed by a college graduate have Internet access, compared to less than 12 percent for those who have not graduated high school.

- The racial divide is closing, with access to the Internet now reported by 29 percent of blacks compared to 9 percent in 1998, and by nearly 24 percent of Hispanics, compared to 1998's less than 9 percent. Half of all whites reported Internet access at home in August 2000.

The Commerce Department report is available at [www.esa.doc.gov](http://www.esa.doc.gov).