

OPINION

OUR VIEWS

A holiday's deferred cost

Everybody loves a bargain, but every economist hates sales tax "holidays," because they make no economic sense whatsoever.

They are favorites of politicians, though. Gov. Bobby Jindal studied biology, not economics, at famed Brown University, but that still doesn't excuse statements like this: "The weekend-long event will also bring more customers to our local hunting and sporting stores, which will further benefit our businesses and Louisiana's economy."

The governor was taking credit for the 2009 legislation that created a state sales-tax holiday for camping and hunting gear this weekend.

Economists see this as bunk, and it's not hard to see why.

A holiday doesn't lead to more purchases, although people may move the timing of some purchases to coincide with the holiday. We all love a bargain, after all.

But that means that purchases aren't made later, except to the extent — 4 percent of state sales tax in Louisiana — that consumers have a small tax cut.

It doesn't do precisely what the governor alleges, bringing more customers to sporting goods stores.

The Louisiana Budget Project, a left-leaning public policy shop, criticized Louisiana's early August tax "holiday" for back to school purchases, which were defined as almost anything. The \$3.7 million estimated state revenue that is lost has to be made up in the budget by reduced services or increased taxes.

"This is just one more giveaway that contributes to Louisiana's fiscal crisis, jeopardizing funding for education, health care, and infrastructure," said Eddie Ashworth, director of the budget project.

The best sales tax holiday? A permanent sales tax cut. But that would require, in Louisiana, reversing the deep cuts in business taxes and income taxes pushed by Jindal and the Legislature over the past three years.

So the little tax holidays are not just economically silly.

They are bones thrown by politicians, whose deeper game is favoring the privileged over the little guy.