

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Committee on Appropriations

BILL: CS/SB 916

INTRODUCER: Appropriations Committee (Recommended by Appropriations Subcommittee on Finance and Tax); and Senator Flores

SUBJECT: Sales and Use Tax

DATE: April 25, 2013 **REVISED:** _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Harkey	Klebacha	ED	Favorable
2.	Cote	Diez-Arguelles	AFT	Fav/CS
3.	Cote	Hansen	AP	Fav/CS
4.				
5.				
6.				

Please see Section VIII. for Additional Information:

- | | | |
|------------------------------|-------------------------------------|---|
| A. COMMITTEE SUBSTITUTE..... | <input checked="" type="checkbox"/> | Statement of Substantial Changes |
| B. AMENDMENTS..... | <input type="checkbox"/> | Technical amendments were recommended |
| | <input type="checkbox"/> | Amendments were recommended |
| | <input type="checkbox"/> | Significant amendments were recommended |

I. Summary:

CS/SB 916 provides an exemption from state and local sales tax during the 3-day period beginning at 12:01 a.m. on August 2, 2013, through 11:59 p.m. on August 4, 2013, on purchases of clothing costing \$75 or less per item, school supplies costing \$15 or less per item, and computers costing \$750 or less per item.

The Revenue Estimating Conference estimates that the bill will have a nonrecurring, negative impact of \$28.3 million to General Revenue for Fiscal Year 2013-2014 and a nonrecurring, negative impact of \$6.4 million to local governments.

The bill provides an appropriation of \$235,695 in Fiscal Year 2012-2013 for the Department of Revenue to implement the law and notify sales and use tax dealers prior to the beginning of the sales tax holiday.

The bill takes effect upon becoming law.

The bill creates an unnumbered section of law.

II. Present Situation:

Chapter 212, F.S., imposes a 6 percent¹ sales tax on the retail sale of tangible personal property, including books, clothing, footwear, wallets, bags, school supplies, and computers. In addition, county governments may impose discretionary sales surtaxes.²

The Legislature has approved sales tax holidays for a number of years, notably from 2004 through 2007, and then again from 2010 through 2012. The length of the exemption period has varied from 3 to 10 days. The type and value of exempt items has also varied. The holiday is made available for the benefit of families making back-to-school purchases, and is typically offered just prior to the start of a new school year.

III. Effect of Proposed Changes:

The bill provides an exemption from state and local sales tax during the 3-day period beginning at 12:01 a.m. on August 2, 2013, through 11:59 p.m. on August 4, 2013, for the following:

- Sales of clothing, wallets, or bags, including handbags, backpacks, fanny packs, and diaper bags, but excluding briefcases, suitcases, and other garment bags, having a sales price of \$75 or less per item. “Clothing” is defined to mean:
 - Any article of wearing apparel intended to be worn on or about the human body, excluding watches, watchbands, jewelry, umbrellas, and handkerchiefs.
 - All footwear, excluding skis, swim fins, roller blades, and skates.
- Sales of school supplies having a sales price of \$15 or less per item. “School supplies” is defined to mean pens, pencils, erasers, crayons, notebooks, notebook filler paper, legal pads, binders, lunch boxes, construction paper, markers, folders, poster board, composition books, poster paper, scissors, cellophane tape, glue, paste, rulers, computer disks, protractors, compasses, and calculators.
- Sales of personal computers and related accessories having a sales price of \$750 or less. Qualifying items must be purchased for noncommercial home or personal use. The exemption includes electronic book readers, laptops, desktops, tablets, monitors, other peripheral devices, modems for Internet and network access, and nonrecreational software, regardless of whether the accessories are used in association with a personal computer base unit. The exemption does not include cell phones, video game consoles, digital media receivers or other devices that are not primarily designed to process data. Computer and computer related accessories do not include furniture or any systems, devices, software, or peripherals designed or intended primarily for recreational use.

The exemptions of the above items from sales tax do not apply to sales within a public lodging establishment, theme park, entertainment complex or airport.

The Department of Revenue is authorized to adopt rules to administer the exemption. The bill provides an appropriation of \$235,695 in Fiscal Year 2012-2013 for the Department of Revenue to implement the law and notify sales and use tax dealers prior to the beginning of the sales tax holiday.

¹ s. 212.05, F.S..

² s. 212.054, F.S.

IV. Constitutional Issues:**A. Municipality/County Mandates Restrictions:**

Subsection (b) of s. 18, Art. VII, State Constitution, provides that except upon approval of each house of the Legislature by two-thirds vote of the membership, the Legislature may not enact, amend or repeal any general law if the anticipated effect of doing so would be to reduce the authority that municipalities or counties have to raise revenue in the aggregate, as such authority existed on February 1, 1989.

The bill provides a sales tax exemption that will reduce the municipalities' and counties' local option sales tax collections over a three-day period, thereby reducing their revenue-raising authority. However, an exemption may apply because the reduction in local governments' revenue-raising authority may be below the \$1.9 million threshold for an insignificant impact on local governments.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:**A. Tax/Fee Issues:**

The Revenue Estimating Conference estimates that the bill will have a nonrecurring, negative impact of \$28.3 million to General Revenue for Fiscal Year 2013-2014 and a nonrecurring, negative impact of \$6.4 million to local governments.

B. Private Sector Impact:

During the specified period, clothing, wallets, and bags selling for \$75 or less; school supplies selling for \$15 or less; and computers selling for \$750 or less can be purchased tax-free. Given the timing of the tax-free period, families will be able to save money on clothing and school supplies prior to the beginning of the school year.

C. Government Sector Impact:

The Department of Revenue (DOR) will need to print and mail Tax Information Publications (TIPs) to notify dealers. DOR anticipates that it will need to print and mail TIPs to 565,000 sales and use tax dealers prior to the beginning of the sales tax holiday, with an additional print of 5,000 TIPs for mail to retail associations and others upon request.³

³ DOR Bill Analysis (February 20, 2013), on file with the Appropriations Subcommittee on Finance and Tax.

VI. Technical Deficiencies:

None.

VII. Related Issues:**VIII. Additional Information:**

- A. **Committee Substitute – Statement of Substantial Changes:**
(Summarizing differences between the Committee Substitute and the prior version of the bill.)

CS by Appropriations on April 23, 2013:

The committee substitute clarifies the items that qualify as personal computers and related accessories. The CS also provides an appropriation of \$235,695 in Fiscal Year 2012-2013 for the Department of Revenue to implement the law and notify sales and use tax dealers prior to the beginning of the sales tax holiday.

- B. **Amendments:**

None.