

STORAGE NAME: h1169.bdt

DATE: March 27, 1997

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
BUSINESS DEVELOPMENT AND INTERNATIONAL TRADE
BILL ANALYSIS & ECONOMIC IMPACT STATEMENT**

BILL #: HB 1169

RELATING TO: Vessel Taxes

SPONSOR(S): Representative Harrington

STATUTE(S) AFFECTED: s. 212.06, F.S.

COMPANION BILL(S): SB 2258 (identical)

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

- (1) BUSINESS DEVELOPMENT AND INTERNATIONAL TRADE
- (2) FINANCE AND TAXATION
- (3)
- (4)
- (5)

I. SUMMARY:

This bill provides an exemption from sales and use taxes on vessels used by vessel dealers and manufacturers when the vessels are used solely for demonstration, sales promotional or testing purposes.

This bill has not yet been reviewed by the Revenue Estimating Conference, therefore the fiscal impact is indeterminate at this time.

II. SUBSTANTIVE ANALYSIS:

A. PRESENT SITUATION:

Florida's sales and use tax is a 6 percent tax of general applicability which applies to receipts from the sales and use of all tangible personal property unless specifically exempted. Section 212.08, F.S., enumerates specific exemptions to the application of the state's sales and use tax.

There is no existing partial nor full tax exemption for vessels used by vessel dealers and manufacturers solely for demonstration, sales promotional, or testing purposes.

B. EFFECT OF PROPOSED CHANGES:

This bill provides an exemption from the sales and use tax for vessels used by vessel dealers and manufacturers solely for demonstration, sales promotional, or testing purposes.

Section 327.02(36), F.S. describes a vessel as synonymous with a boat as referenced in s. 1(b), Art. VII of the State Constitution and includes every description of watercraft, barge, and air boat, other than a seaplane on the water, used or capable of being used as a means of transportation on water.

The bill defines "promotional purposes" as:

- * the entry of the vessel in a marine-related event where prospective purchasers would be in attendance; and
- * the vessel is entered in the name of the dealer or manufacturer; and
- * the vessel is clearly marked as for sale; and
- * on which vessel the name of the dealer or manufacturer is clearly displayed; and
- * which vessel has never been transferred into the dealer's or manufacturer's accounting books from an inventory item to a capital asset for depreciation purposes.

The bill provides that an exemption cannot be applied to any vessel when:

- * used for transporting persons or goods for compensation; and
- * when offered, let or rented to another for consideration; and
- * when offered for rent or hire as a means of transportation for compensation; and
- * when offered or used to provide transportation for persons solicited through personal contact or through advertisement on a "share expense" basis.

The bill provides an effective date of July 1, 1997.

C. APPLICATION OF PRINCIPLES:

1. Less Government:

a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

No.

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

No.

(3) any entitlement to a government service or benefit?

Yes, the bill creates a sales and use tax exemption for vessels used for "promotional purposes."

b. If an agency or program is eliminated or reduced:

(1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

N/A.

(2) what is the cost of such responsibility at the new level/agency?

N/A.

(3) how is the new agency accountable to the people governed?

N/A.

2. Lower Taxes:

a. Does the bill increase anyone's taxes?

No.

b. Does the bill require or authorize an increase in any fees?

No.

c. Does the bill reduce total taxes, both rates and revenues?

Yes. The bill reduces the sales and use tax for vessel dealers and manufacturers.

d. Does the bill reduce total fees, both rates and revenues?

No.

e. Does the bill authorize any fee or tax increase by any local government?

No.

3. Personal Responsibility:

a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

N/A.

b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

N/A.

4. Individual Freedom:

a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

N/A.

b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

N/A.

5. Family Empowerment:

a. If the bill purports to provide services to families or children:

(1) Who evaluates the family's needs?

N/A.

(2) Who makes the decisions?

N/A.

(3) Are private alternatives permitted?

N/A.

(4) Are families required to participate in a program?

N/A.

(5) Are families penalized for not participating in a program?

N/A.

b. Does the bill directly affect the legal rights and obligations between family members?

No.

c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

(1) parents and guardians?

N/A.

(2) service providers?

N/A.

(3) government employees/agencies?

N/A.

D. SECTION-BY-SECTION ANALYSIS:

See Effect of Proposed Changes.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

Indeterminate.

2. Recurring Effects:

Indeterminate.

3. Long Run Effects Other Than Normal Growth:

Indeterminate.

4. Total Revenues and Expenditures:

Indeterminate.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

Indeterminate.

2. Recurring Effects:

Indeterminate.

3. Long Run Effects Other Than Normal Growth:

Indeterminate.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

None.

2. Direct Private Sector Benefits:

Those dealers and manufacturers of vessels would benefit from the sales and use tax exemption.

3. Effects on Competition, Private Enterprise and Employment Markets:

Indeterminate.

D. FISCAL COMMENTS:

The bill has not yet been reviewed by the Revenue Estimating Conference, therefore the fiscal impact is indeterminate at this time.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to spend funds or to take an action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the authority that municipalities or counties have to raise revenues in the aggregate.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill does not reduce the percentage of a state tax shared with counties or municipalities.

V. COMMENTS:

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

VII. SIGNATURES:

COMMITTEE ON BUSINESS DEVELOPMENT AND INTERNATIONAL TRADE:

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