

STORAGE NAME: h1273.bdt

DATE: March 25, 1997

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

BILL #: HB1273

RELATING TO: Sales Tax/Exempt/Printing Supplies

SPONSOR(S): Representatives Barreiro

STATUTE(S) AFFECTED: s. 212.08, F.S.

COMPANION BILL(S): S 782, S1258

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

- (1) COMMITTEE ON BUSINESS DEVELOPMENT AND INTERNATIONAL TRADE
 - (2) FINANCE & TAXATION
 - (3) APPROPRIATIONS
 - (4)
 - (5)
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I. SUMMARY:

The bill establishes a sales tax exemption on the purchase of film and other printing supplies for commercial use and resale.

The Revenue Estimating Conference has estimated this bill to have a recurring negative fiscal impact on general revenue of approximately \$17.5M in FY 1997-98, and a recurring negative fiscal impact of \$20.5M beginning in FY 1998-99. The bill is estimated to have a negative fiscal impact on local governments of \$0.5M in FY 1999-98, and a negative fiscal impact of \$0.55M beginning in FY 1998-99.

II. SUBSTANTIVE ANALYSIS:

A. PRESENT SITUATION:

Chapter 212, F.S., establishes taxation, and exemptions therefrom, on retail sales transactions in this state. The rate of taxation in Florida is 6 percent of the sales price of each item or article of tangible personal property when sold at retail, computed on each taxable sale for the purpose of remitting the amount of tax due to the state, and including each and every retail sale. And, local governments are authorized to levy one or more of six types of Local Discretionary Sales Surtaxes, ranging from up to 0.5 percent to 1.0 percent each.

Current law offers a number of tax incentives to businesses located in this state or interested in locating in this state. Incentives include:

Sales and use tax exemptions and refunds (e.g., exemptions for new and expanding businesses, enterprise zone exemptions and refunds, raw materials, research and development, co-generation of electricity, boiler fuels, packaging and industrial materials, as well as industry specific exemptions for agriculture, commercial space activities, motion picture and recording industry, and funds for new professional sports franchises and new spring training franchises).

Corporate tax credits (e.g., credits for new and expanding businesses, enterprise zone credits, gasohol development credit, hazardous waste facility development credits).

Targeted Industry Tax Refunds (the Department of Commerce may grant tax refunds to new or expanding businesses engaged in an industry identified as a "target industry" by the Department of Commerce.)

Section 212.08(5)(b), F.S., provides a sales and use tax exemption for industrial machinery and equipment purchased for use in new and expanding manufacturing plants in Florida. Printing and publishing firms are specifically excluded from receiving the exemption.

According to estimates provided to the Revenue Estimating Conference, there are approximately 3,500 printing and publishing firms in Florida, with approximately 64,000 employees. Employment in printing and publishing firms is approximately 13 percent of Florida's net manufacturing employment. Florida printing and publishing firms had approximately \$2.13 billion in gross sales in 1995. Total expenditures on film and other printing supplies for commercial use in Florida is estimated at \$128 million in 1995.

B. EFFECT OF PROPOSED CHANGES:

The bill exempts the purchase of film, photographic paper, chemicals used in processing printing, art supplies, engravings, mats, art work, typography, lithographic plates, or negatives used in producing printed, imprinted, overprinted, lithographic, multilithic, blueprinted, photostatic, or other reproductions of written or graphic matter, for resale.

C. SECTION-BY-SECTION ANALYSIS:

Section 1 adds paragraph (ii) to s. 212.08(7), F.S., to establish a sales tax exemption on the purchase of film and other printing supplies for commercial use and resale.

Section 2 establishes that the act shall take effect upon becoming a law.

D. 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?

No.

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?

None.

(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.

1. 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 creates a tax exemption on the purchase of film and other supplies for commercial use and sale.

- 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.

2. 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?

No.

3. 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.

4. Family Empowerment:

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

N/A.

(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?

N/A.

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.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

None.

2. Recurring Effects:

The Revenue Estimating Conference estimates that the fiscal impact of this bill on state revenues is as follows:

	<u>1997-98</u>	<u>1998-99</u>
General Revenue	(\$17.5M)	(\$20.5M)
Solid Waste Management TF	(insig.)	(insig.)

3. Long Run Effects Other Than Normal Growth:

None.

4. Total Revenues and Expenditures:

See A.2. above.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

None.

2. Recurring Effects:

The Revenue Estimating Conference estimates that the fiscal impact of this bill on local governments is a follows:

	<u>1997-98</u>	<u>1998-99</u>
Local Government Half Cent	(\$0.5M)	(\$0.55M)
Local Option Sales Tax	(insig.)	(insig.)

3. Long Run Effects Other Than Normal Growth:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

None.

2. Direct Private Sector Benefits:

Commercial printing firms in this state will be able to purchase film and other printing supplies tax exempt.

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

To the extent that this bill induces the expansion of existing businesses and the location of additional businesses in this state, the bill could have a positive impact on business growth and job creation in this state.

D. FISCAL COMMENTS:

None.

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 action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

Although the bill will reduce the authority of cities and counties to raise revenues, the impact is expected to be insignificant and the bill is therefore exempt from the provisions of Article VII, Section 18(b), Florida Constitution.

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

Although the bill will reduce the amount of Local Government Half Cent Sales Tax shared with cities and counties, it does not reduce the percentage of a state tax shared with cities and counties. Therefore, the bill is exempt from the provisions of Article VII, Section 18(b), Florida Constitution.

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V. COMMENTS:

VI. SIGNATURES:

COMMITTEE ON BUSINESS DEVELOPMENT AND INTERNATIONAL TRADE:

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