

STORAGE NAME: h4155z.ag  
DATE: June 19, 1998

**\*\*FINAL ACTION\*\***  
**\*\*SEE FINAL ACTION STATUS SECTION\*\***

**HOUSE OF REPRESENTATIVES  
AS FURTHER REVISED BY THE COMMITTEE ON  
AGRICULTURE  
FINAL BILL RESEARCH & ECONOMIC IMPACT STATEMENT**

**BILL #:** HB 4155 (Chapter 98-416, Laws of Florida)

**RELATING TO:** Tax on Sales, Use and Other Transactions

**SPONSOR(S):** Representative Boyd

**COMPANION BILL(S):** SB 680 (i) by Senator Kirkpatrick

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

- (1) AGRICULTURE YEAS 5 NAYS 0
- (2) FINANCE AND TAXATION YEAS 9 NAYS 2
- (3) GENERAL GOVERNMENT APPROPRIATIONS YEAS 8 NAYS 0
- (4)
- (5)

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I. FINAL ACTION STATUS:

HB 4155 passed both the House and the Senate and became law (Chapter 98-416, Laws of Florida) without the Governor's signature on June 17, 1998.

II. SUMMARY:

HB 4155 provides a sales and use tax exemption for the sale of growth enhancers or performance enhancers for cattle. It also provides a tax exemption for generators used on poultry farms.

The total estimated fiscal impact upon the General Revenue Fund is estimated to be (\$0.3) million for FY 98-99 and (\$0.3) million for FY 99-2000. There will be a negative, but insignificant impact on the Solid Waste Management Trust Fund and upon local governments for both FY 98-99 and FY 99-2000.

III. SUBSTANTIVE RESEARCH:

A. PRESENT SITUATION:

The sale of performance-enhancing or growth-enhancing products for cattle is subject to sales tax.

Currently, a synthetic somatotropin hormone, manufactured by Monsanto, is the only performance-enhancing product available for dairy cows. This hormone, which occurs naturally in all milk-producing species, is injected into the musculature of dairy cattle to improve milk production. It is estimated somatotropin can increase milk production by 10 to 20 percent, thus increasing milk production efficiency.

There are several growth-enhancing products on the market for beef cattle. These products are implanted as slow-release pellets under the skin of the ear of the calf. According to Homer Sewell, Department of Animal Sciences at the University of Missouri-Columbia, growth-enhancers can increase the rate of gain by 8-15 percent and improve feed efficiency by 6-10 percent.

All of these products, whether growth-enhancing or performance-enhancing, are approved by the U.S. Food and Drug Administration.

The Department of Agriculture and Consumer Services estimates that approximately one-third of the dairy cows in the state (55,000) are presently being injected with the somatotropin hormone. The hormone is administered to dairy cattle during their lactation cycle several times during the year. The cost per cow is estimated to be approximately \$75 per year.

The growth-enhancing products for beef cattle typically range from \$1 up to \$1.75 per implant. Generally, a calf will receive 1 to 2 implants during its lifespan. Bob Sand, Associate Professor in the Department of Animal Sciences at the University of Florida, estimates approximately 60 percent of the calves (400,000) in Florida are implanted with growth-enhancing products.

B. EFFECT OF PROPOSED CHANGES:

The sale of performance-enhancing or growth-enhancing products for cattle would be exempt from sales and use tax. The exemption would also apply to generators used on poultry farms.

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?

No.

b. If an agency or program is eliminated or reduced: **Not applicable.**

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

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

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

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.

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?

No.

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

Not applicable.

4. Individual Freedom:

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

Not applicable.

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

No.

5. Family Empowerment: **Not applicable.**

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

(1) Who evaluates the family's needs?

(2) Who makes the decisions?

(3) Are private alternatives permitted?

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

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

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

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?

(2) service providers?

(3) government employees/agencies?

D. STATUTE(S) AFFECTED:

Section 212.08, F.S.

E. SECTION-BY-SECTION RESEARCH:

Section 1: Amends section 212.08, F.S., to include growth enhancers or performance enhancers for cattle as an exemption from the tax on sales, use, and other transactions.

Section 2: Amends section 212.08, F.S., to include generators used on poultry farms as an exemption from the tax on sales, use, and other transactions.

Section 3: Provides an effective date of July 1, 1998.

IV. FISCAL RESEARCH & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

None.

2. Recurring Effects:

<u>Revenues</u>	<u>FY 98-99</u>	<u>FY 99-00</u>
General Revenue Fund	(\$0.3M)	(\$0.3M)

Expenditures

None.

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 has determined that this bill has an insignificant fiscal impact on the Local Option Sales Tax and the Local Half-Cent Sales Tax.

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:

The cattle industry will receive a sales tax exemption on performance-enhancing or growth-enhancing products which will lower their cost of doing business. The cost of doing business will also be lowered for poultry farmers who will receive an exemption on the generators used on their farms.

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

None.

D. FISCAL COMMENTS:

None.

V. 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 take actions requiring expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

Although the bill will reduce the authority of municipalities 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:

While the bill will reduce the amount of the Local Government Half Cent Sales Tax shared with municipalities and counties, it does not reduce the percentage of a state tax shared with municipalities and counties. Therefore, Article VII, Section 18(b), Florida Constitution does not apply.

VI. COMMENTS:

SB 680, the Senate companion, was amended to change the term "livestock" to "cattle," which will narrow the scope of products eligible for sales tax exemptions.

VII. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

The Committee on Agriculture adopted one amendment, which changes the term "livestock" to "cattle." This amendment narrows the scope of products eligible for sales tax exemptions and conforms the bill with its Senate companion.

The Committee on General Government Appropriations adopted one amendment that exempts generators used for poultry operations from the sales tax, which is anticipated to have an indeterminate, but insignificant fiscal impact.

VIII. SIGNATURES:

COMMITTEE ON AGRICULTURE:

Prepared by:

Legislative Research Director:

Debbi Kaiser

Susan D. Reese

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**PAGE 8**

AS REVISED BY THE COMMITTEE ON FINANCE AND TAXATION:

Prepared by:

Legislative Research Director:

Lynne Overton

Keith G. Baker, Ph.D.

AS FURTHER REVISED BY THE COMMITTEE ON GENERAL GOVERNMENT  
APPROPRIATIONS:

Prepared by:

Legislative Research Director:

Jenny Underwood Dietzel

Cynthia P. Kelly

**FINAL RESEARCH PREPARED BY COMMITTEE ON AGRICULTURE:**

Prepared by:

Legislative Research Director:

Debbi Kaiser

Susan D. Reese