
SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

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

Date: April 23, 1998 Revised: _____

Subject: Sales Tax/Taxpayer Relief Day

	<u>Analyst</u>	<u>Staff Director</u>	<u>Reference</u>	<u>Action</u>
1.	<u>Beggs</u>	<u>Beggs</u>	<u>WME</u>	<u>Favorable/PCS</u>
2.	<u>Beggs</u>	<u>Smith</u>	<u>WM</u>	<u>Favorable/CS</u>
3.	_____	_____	<u>CM</u>	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____

I. Summary:

This bill declares the second Saturday in August each year to be Taxpayer Relief Day. On that day, the first \$250 of most items sold would be exempt from sales tax.

This bill creates section 212.0805 of the Florida Statutes.

II. Present Situation:

The state of Florida levies a 6 percent sales tax on most sales of tangible personal property in the state and on some services. The statutes currently provide more than 150 exemptions from the sales tax. Exemptions generally take the form of identifying specifically exempt items, exempting items when used for particular purposes, and exempting certain types of organizations, such as the government, churches, and charitable organizations, which are exempt from taxation. There are no current exemptions based on the time at which a purchase is made. Local government local option sales taxes are levied on the same tax base as the state tax with the exception that the local taxes do not apply to the portion of any purchase over \$5,000.

The state of New York adopted temporary tax relief for sales of clothing costing less than \$500. The tax exemption was for the week of January 18-24, 1997, with such clothing being exempted from the 4 percent state tax and local governments also allowed to exempt the sales from local sales taxes. Because a number of states surrounding New York exempt clothing sales from their sales tax, one of the purposes of the New York exemption was to gauge the effect of equalizing the tax rate for a week.

III. Effect of Proposed Changes:

This bill would designate the second Saturday in August of each year as Taxpayer Relief Day. On that day, the first \$250 of each item sold that otherwise would be subject to the state sales tax would be exempt from tax. The exemption would apply only to sales in which the amount of the tax is calculated separately for each transaction and is entered as a separate item on the sales invoice. The exemption would not apply to any sale in which the tax is calculated in advance of the sales transaction and is included as part of a single, comprehensive sales price.

Counties imposing local option discretionary sales taxes may, by ordinance, also exempt the first \$250 of each sale from their local sales tax. The county must notify the Department of Revenue by July 1 of the year in which the exemption will first apply and must notify the department by July 1 of any subsequent year in which they, by ordinance, decide not to grant the exemption.

The Department of Revenue is directed to adopt rules to administer these provisions.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

The exemption would apply to the state sales tax and, at the option of the county governing boards, to local option sales taxes. The fiscal impact of the one day tax relief for purchases under \$250 is estimated to result in a recurring loss of sales tax revenues of \$30.7 million, with counties and municipalities sharing approximately 10 percent of this loss due to a reduction in shared revenues, and the Solid Waste Management Trust Fund sharing 0.2 percent. In addition, counties which opted to also grant the exemption would experience an additional reduction.

Issue/Fund	General Revenue		Trust		Local		Total	
	1st Year \$	Recurring \$	1st Year \$	Recurring \$	1st Year \$	Recurring \$	1st Year \$	Recurring \$
Tax Relief Day	(27.9)	(27.9)	(0.1)	(0.1)	(2.7)	(2.7)	(30.7)	(30.7)

B. Private Sector Impact:

Sales of items costing less than \$250 should increase significantly on Taxpayer Relief Day. To a large extent, however, it is expected that such sales would be drawing sales away from surrounding periods. Some retailers might experience additional costs in reprogramming cash registers to accommodate the sales tax change.

C. Government Sector Impact:

The provisions of this bill should not significantly increase costs associated with tax administration.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.