

STORAGE NAME: h3229s2.ft

DATE: March 16, 1998

**HOUSE OF REPRESENTATIVES
AS REVISED BY THE COMMITTEE ON
FINANCE AND TAXATION
BILL RESEARCH & ECONOMIC IMPACT STATEMENT**

BILL #: CS/CS/HB 3229

RELATING TO: Sales Tax Exemption

SPONSOR(S): Committee on Finance and Taxation; Committee on Environmental Protection; and Representatives Thrasher; Feeney; Minton; and others.

COMPANION BILL(S): CS/SB 434 by Senator Dyer

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

- (1) ENVIRONMENTAL PROTECTION YEAS 11 NAYS 0
- (2) FINANCE AND TAXATION YEAS 15 NAYS 0
- (3) GENERAL GOVERNMENT APPROPRIATIONS
- (4)
- (5)

I. SUMMARY:

This bill amends s. 212.051, F.S. A sales and use tax exemption is provided for any facility, device, fixture, equipment, or machinery used primarily for the control or abatement of pollution or contaminants in manufacturing, processing, compounding, or producing for sale items of tangible personal property at a fixed location, or any structure, machinery, or equipment installed in the reconstruction or replacement of such facility, device, fixture, equipment, or machinery. To qualify, such facility, device, fixture, equipment, or machinery is required to meet the permitted conditions of the Department of Environmental Protection (DEP). A sales and use tax exemption is provided for equipment, machinery, or materials required by permit or law that are purchased for the monitoring, prevention, abatement, or control of pollution or contaminants at solid waste management facilities.

Provides effective date of July 1 of the year enacted.

The total estimated fiscal impact upon General Revenue is (\$13.5) million for FY 98-99 and (\$15.2) million for FY 99-2000. There will be an insignificant impact on the Solid Waste Management Trust Fund. The estimated fiscal impact upon local governments is (\$2.2) million for FY 98-99 and (\$2.4) million for FY 99-2000. The total estimated fiscal impact for this bill is (\$15.7) million for FY 98-99 and (\$17.6) million for FY 99-2000.

II. SUBSTANTIVE RESEARCH:

A. PRESENT SITUATION:

Presently pollution control equipment is subject to sales tax, and tax exemptions do not exist for machinery and equipment used for controlling or abating pollution or contaminants. Equipment, machinery, or materials required by permit or law that are purchased for the monitoring, prevention, abatement, or control of pollution or contaminants at solid waste management facilities is subject to sales and use tax.

During the 1997 Legislative session, there was language in HB1997 that created a sales tax exemption for the purchase of pollution control equipment. In order to receive the exemption, the equipment must have been required by a federal, state, or local agency, and only taxes in excess of \$50,000 per calendar year were exempt. This section of the bill amended s. 212.08(5)(b), F.S., relating to the sales tax exemption for the purchase of machinery and equipment used to increase productive output. On April 18, 1997, the Committee on Transportation and Economic Development Appropriations adopted an amendment to the bill which struck everything after the enacting clause and removed this language from the bill. HB1997 was carried over and is currently on the Economic Impact calendar.

B. EFFECT OF PROPOSED CHANGES:

A sales and use tax exemption is provided for any facility, device, fixture, equipment, or machinery used primarily for the control or abatement of pollution or contaminants in manufacturing, processing, compounding, or producing for sale items of tangible personal property at a fixed location, or any structure, machinery, or equipment installed in the reconstruction or replacement of such facility, device, fixture, equipment, or machinery. To qualify, such facility, device, fixture, equipment, or machinery is required to meet the permitted conditions of the Department of Environmental Protection (DEP).

A sales and use tax exemption is provided for equipment, machinery, or materials required by permit or law that are purchased for the monitoring, prevention, abatement, or control of pollution or contaminants at solid waste management facilities.

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.

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(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?

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 creates an exemption from sales, use and privilege taxes.

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?

No.

4. Individual Freedom:

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

No.

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

No.

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?

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

D. STATUTE(S) AFFECTED:

Section 212.051 F.S., - Equipment or machinery for pollution control; subject to sales or use tax.

E. SECTION-BY-SECTION RESEARCH:

N/A

III. FISCAL RESEARCH & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

None.

2. Recurring Effects:

	<u>FY 98-99</u>	<u>FY 99-2000</u>
General Revenue	(\$13.5M)	(\$15.2M)
Trust Fund	(*)	(*)
Local Government	(\$2.2)	(\$2.4M)

3. Long Run Effects Other Than Normal Growth:

N/A

4. Total Revenues and Expenditures:

Total for FY 98-99 is (\$15.7M). Total for FY 99-2000 is (\$17.6M).

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

None.

2. Recurring Effects:

See Section III. A. 2. above.

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 private sector will benefit by paying less sales or use tax due to the exemption. If the exemption induces facilities to improve or modify their processes or install new pollution control equipment, Department of Environmental Protection emission and discharge fees may be reduced, and industry regulatory liability due to the reduction in generation of regulated pollutants may be reduced.

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

This bill may increase a company's ability to compete with foreign and domestic companies due to increased efficiency and lower costs.

D. FISCAL COMMENTS:

On March 13, 1998, the Impact Conference revised its estimate for the issues contained in this bill. Based on new information, the estimated fiscal impact was reduced.

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 take an action requiring the expenditures 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.

V. COMMENTS:

N/A

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

On February 4, 1998, the Committee on Environmental Protection adopted HB 3229 as a committee substitute. One amendment, with an amendment to the amendment, was adopted which removed the language that included processes and pollution prevention equipment as eligible for the sales tax exemption. The amendment also removed the requirement that the DEP certify all processes, facilities, equipment, and machinery to the Department of Revenue in order to be exempt. The amendment does require that in order to qualify all equipment, devices, machinery, and facilities must meet permitted conditions of the DEP. This amendment is anticipated to reduce the bill's estimated recurring negative fiscal impact.

On March 5, 1998, the Committee on Finance and Taxation adopted CS/HB 3229 as a committee substitute. An amendment was adopted that added a sales and use tax

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exemption for equipment, machinery, or materials required by permit or law that are purchased for the monitoring, prevention, abatement, or control of pollution or contaminants at solid waste management facilities.

VII. SIGNATURES:

COMMITTEE ON ENVIRONMENTAL PROTECTION:

Prepared by:

Legislative Research Director:

Chris Flack

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AS REVISED BY THE COMMITTEE ON FINANCE AND TAXATION:

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