

STORAGE NAME: h4407s2a.gg

DATE: April 23, 1998

**HOUSE OF REPRESENTATIVES
AS FURTHER REVISED BY THE COMMITTEE ON
GENERAL GOVERNMENT APPROPRIATIONS
BILL RESEARCH & ECONOMIC IMPACT STATEMENT**

BILL #: CS/CS/HB 4407

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

SPONSOR(S): Committees on Finance and Taxation and Governmental Operations, and Representative Byrd and others

COMPANION BILL(S): None

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

- (1) GOVERNMENTAL OPERATIONS YEAS 5 NAYS 0
 - (2) FINANCE AND TAXATION YEAS 13 NAYS 2
 - (3) GENERAL GOVERNMENT APPROPRIATIONS YEAS 8 NAYS 0
 - (4)
 - (5)
-

I. SUMMARY:

This bill provides that no sales tax will be collected on the sale of clothing having a taxable value of \$50 or less during the following periods: 12:01 a.m., August 15, 1998, through midnight, August 21, 1998; and, 12:01 a.m., January 15, 1999, through midnight January 17, 1999. It also provides a definition for clothing.

The bill is expected to decrease General Revenue Fund receipts by (\$21.7) million and local government receipts by (\$3.5) million. The bill has an insignificant impact to the Solid Waste Management Trust Fund.

II. SUBSTANTIVE RESEARCH:

A. PRESENT SITUATION:

Section 212.08, F.S., provides an exemption from sales taxes for general groceries and provides parameters for determining when such groceries are exempt. Candy, food prepared for immediate consumption on or off the seller's premises (with certain exceptions), and soft drinks are taxable. The statute also provides a definition of the seller's premises. Purchases of food that might otherwise be taxable in this section are exempt if purchased with food stamps (with certain exceptions).

Currently, all clothing is subject to the sales tax.

B. EFFECT OF PROPOSED CHANGES:

Section 1 - Provides the title "Florida Family Tax Relief Act of 1998" as the short title of the act.

Section 2 - Provides that no sales tax will be collected on the sale of clothing having a taxable value of \$50 or less during the following periods: 12:01 a.m., August 15, 1998, through midnight, August 21, 1998; and, 12:01 a.m., January 15, 1999, through midnight January 17, 1999.

Clothing in this section means any article of wearing apparel, including footwear, intended to be worn on or about the human body and does not include watches, watchbands, jewelry, handbags, handkerchiefs, umbrellas, scarves, ties, headbands, or belt buckles.

Section 3 - Provides the act shall take effect upon becoming a law.

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?

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 tax for consumers on clothing for specific time periods. This will decrease total sales tax revenues for FY 1998-99.

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?

N/A

- 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:

Not applicable.

- (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:

Not applicable.

- (1) parents and guardians?

N/A

- (2) service providers?

N/A

- (3) government employees/agencies?

N/A

D. STATUTE(S) AFFECTED:

None.

E. SECTION-BY-SECTION RESEARCH:

See BILL RESEARCH SECTION IIB., EFFECT OF PROPOSED CHANGES.

III. FISCAL RESEARCH & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

- 1. Non-recurring Effects:

None.

- 2. Recurring Effects:

<u>Revenues (in millions):</u>	<u>FY 1998-99</u>	<u>FY 1999-2000</u>
General Revenue Fund	(\$21.7M)	\$0

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:

Revenues (in millions):

Local Government Half Cent

(\$2.1)

(\$0)

Local Option Sales Tax

(\$1.4)

(0)

Total local government impact:

(\$3.5)

(0)

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:

Private citizens will have reduced taxes for a specified period.

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

None that are evident.

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 an action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

The 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 state tax shared with counties and municipalities.

V. COMMENTS:

None.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

At its meeting on April 15, 1998, the Committee on Governmental Operations adopted three amendments.

The first amendment provides an exemption from intangible property tax, short-term notes of 10 days' duration or less, taken by a motor vehicle dealer, as part of a deferred down payment on the purchase of a motor vehicle.

The second amendment exempts from taxes, other than the annual use tax found in s. 121.0601, motor vehicles used by employees of motor vehicle dealers as a condition of employment.

The third amendment exempts from sales tax, clothing with a taxable value of \$50 or less, during a seven day period in August, 1998 (before the beginning of the public school year), and a three day period in January, 1999 (just after Christmas).

The bill was reported out as a committee substitute.

On April 23, 1998, the Committee on Finance and Tax adopted a "strike everything" amendment and adopted a committee substitute resulting in CS/CS/HB 4407 which is the subject of this Bill Research & Economic Impact Statement.

CS/CS/HB 4407 deletes the sales tax exemptions that were provided by CS/HB 4407 for: 1) all the foods and beverages as defined in the federal Food Stamp Act, 2) the first \$7,500 of the value of most automobiles titled to Florida residents, 3) clothing and footwear with a taxable value of \$50, or less, purchased during a one week period in August, 1998, and a three day period in January, 1999, 4) home appliances for primary use in property granted homestead exemption under ch. 196, F.S., and 5) purchases of computers for personal use

CS/CS/HB 4407 also strikes provisions in CS/HB 4407 reducing by 50%, the fees on: 1) original, replacement and transfer license plates, and replacement validation decals, including mobile home stickers 2) license taxes for motorcycles, mopeds, motorized bicycles, automobiles and trucks for personal use, and mobile homes, 3) Class D, and Class E driver's licenses, 4) licenses restricted to motorcycle use, and renewal, 5) fees for

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duplicate and replacement instruction permits and driver's licenses, 6) fees for resident saltwater fishing licenses and replacements, 7) fees for tarpon tags and snook permits, 8) fees for resident hunting licenses and replacements, and 9) fees for freshwater fishing and sportsman's licenses and replacements.

Finally, CS/CS/HB 4407 deletes provisions for annual appropriations to replace revenues lost as a result of such fee reductions, and provisions for an intangible property tax exemption on certain short-term notes, and limits taxes on vehicles driven by employees of motor vehicle dealers as a condition of employment.

VII. SIGNATURES:

COMMITTEE ON GOVERNMENTAL OPERATIONS:

Prepared by:

Legislative Research Director:

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AS REVISED BY THE COMMITTEE ON FINANCE AND TAXATION:

Prepared by:

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AS FURTHER REVISED BY THE COMMITTEE ON GENERAL GOVERNMENT
APPROPRIATIONS:

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