

**STORAGE NAME:** h1941.ft

**DATE:** March 18, 1999

**HOUSE OF REPRESENTATIVES  
COMMITTEE ON  
FINANCE AND TAXATION  
ANALYSIS**

**BILL #:** HB 1941 (PCB FT 99-03)

**RELATING TO:** Sales and Use Tax

**SPONSOR(S):** Committee on Finance and Taxation & Representatives Albright, Byrd & others

**COMPANION BILL(S):** Compare HB 20, HB 455, SB 140

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

(1) FINANCE AND TAXATION YEAS 15 NAYS 1

(2)

(3)

(4)

(5)

---

I. SUMMARY:

The bill creates the Florida Residents' Tax Relief Act of 1999, which provides that no sales tax will be collected upon clothing for a seven day period beginning July, 31, 1999. The bill:

- defines "clothing" to mean any article of wearing apparel, including footwear, intended to be worn on or about the human body;
- excludes from the definition of "clothing" watches, watchbands, jewelry, handbags, handkerchiefs, umbrellas, and headbands;
- provides that the provisions of the act do not apply in certain establishments;
- provides specific rulemaking authority to the Department of Revenue to adopt rules to implement the act; and
- provides a \$200,000 appropriation to the Department of Revenue for the implementation of the act.

The total estimated fiscal impact upon General Revenue is (\$15.1) million for FY 99-2000. There will be a negative, but insignificant impact on the Solid Waste Management Trust Fund. The estimated fiscal impact upon local governments is (\$2.4) million for FY 1999-2000. The total estimated fiscal impact for this bill is (\$17.5) million for FY 1999-2000.

II. SUBSTANTIVE ANALYSIS:

A. PRESENT SITUATION:

Chapter 212, F.S. provides that a sales and use tax be imposed on the retail sale, storage, or use of tangible personal property. Section 212.02(19), F.S. (1998 Supp.) The sales tax rate is 6%. Chapter 212 also lists items and transactions that are exempt from sales and use tax. Under current law, the retail sale of clothing is subject to sales tax.

Chapter 98-341, Laws of Florida, the Florida Family Tax Relief Act of 1998, provided that apparel, including footwear, with a taxable value of \$50 or less, was exempt from the imposition of sales tax during the period from 12:01 a.m., August 15, 1998, through midnight, August 21, 1998. The Act defined "clothing" to mean any article of wearing apparel, including footwear, intended to be worn on or about the human body. For purposes of the Act, "clothing" did not include watches, watchbands, jewelry, handbags, handkerchiefs, umbrellas, scarves, ties, headbands, or belt buckles.

B. EFFECT OF PROPOSED CHANGES:

The Tax Relief Act of 1999 would create an exemption from sales tax for clothing having a taxable value of \$50 or less during the period from 12:01 a.m., July 31, 1999, through midnight, August 6, 1999. The tax-free week would be earlier this year to allow families shopping for school clothing an opportunity to take advantage of tax savings prior to the start of the school year.

Clothing would be defined as any article of wearing apparel, including footwear, intended to be worn on or about the human body. For purposes of the Act, "clothing" would not include watches, watchbands, jewelry, handbags, handkerchiefs, umbrellas, or headbands. This year the definition of clothing would include scarves, ties, and belt buckles.

As last year, the Act would not apply to sales within a theme park or entertainment complex or within a public lodging establishment. The Department of Revenue would be authorized to immediately adopt rules to carry out the provisions of the Act.

An appropriation of \$200,000 would be provided to the Department of Revenue to administer the Act.

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?

Yes.

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

N/A

(3) any entitlement to a government service or benefit?

N/A

**STORAGE NAME:** h1941.ft

**DATE:** March 18, 1999

**PAGE 3**

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.

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?

N/A

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

N/A

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?

N/A

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:

None.

E. SECTION-BY-SECTION ANALYSIS:

Section 1 provides that the act may be cited as the "Florida Family Tax Relief Act of 1999."

Section 2 provides that no sales tax will be collected on the sale of clothing having a taxable value of \$50 or less beginning 12:01 a.m., July 31, 1999, and ending midnight, August 6, 1999.

The section defines clothing to mean 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, or headbands.

The section provides that the provisions of this bill will not apply within a theme park, entertainment complex, or public lodging establishment.

The section also provides that notwithstanding the provisions of Ch. 120, Florida Statutes, the Department of Revenue is authorized to adopt rules to carry out the provisions of the act.

Section 3 provides for an appropriation of \$200,000 to the Department for the purpose of administering the act.

Section 4 provides that the act shall take effect upon becoming a law.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

	<u>FY 1999-00</u>
General Revenue	(\$15.1M)
Trust Fund	(*)
Local Government	(\$2.4)

2. Recurring Effects:

None.

3. Long Run Effects Other Than Normal Growth:

None.

4. Total Revenues and Expenditures:

Total non-recurring effects: (\$17.5M) for all funds.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

See section III.A.1.

2. Recurring Effects:

None.

3. Long Run Effects Other Than Normal Growth:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

Indeterminate. Retail sellers would incur some costs for the reprogramming of cash registers and accounting systems.

2. Direct Private Sector Benefits:

During the specified week, clothing could be purchased for 6% to 7½% less depending on the local option rate. Families will be able to save money on clothing immediately before the school years begins.

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

N/A

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:

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:

None.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

N/A

**STORAGE NAME:** h1941.ft

**DATE:** March 18, 1999

**PAGE 7**

VII. SIGNATURES:

COMMITTEE ON FINANCE AND TAXATION:

Prepared by:

Staff Director:

---

Lynne Overton

---

Alan Johansen