

STORAGE NAME: h0201a.grr
DATE: January 21, 1999

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
GOVERNMENTAL RULES AND REGULATIONS
BILL ANALYSIS & ECONOMIC IMPACT STATEMENT**

BILL #: HB 201

RELATING TO: Florida Residents' Tax Relief Act (Tax on Sales)

SPONSOR(S): Rep. Byrd and others

COMPANION BILL(S): SB 140 (compare)

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

- (1) GOVERNMENTAL RULES AND REGULATIONS YEAS 4 NAYS 0
 - (2) FINANCE AND TAXATION
 - (3) GENERAL APPROPRIATIONS
 - (4)
 - (5)
-

I. SUMMARY:

HB 201 creates the Florida Residents' Tax Relief Act of 1999, which provides that no sales tax will be collected upon apparel, including footwear, for a seven day period in August 1999. The bill:

- 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.

It is estimated that the act will decrease General Revenue Fund receipts by approximately \$22.8 million, and local option sales tax receipts by approximately \$3.75 million.

On January 21, 1999, the Committee on Governmental Rules and Regulations adopted three amendments:

1. changed the date of the period of operation of the act to 12:01 am, July 31, 1999, through midnight, August 8, 1999;
2. removed ties, scarves, and belt buckles from the statutory list of items excluded from the provisions of the act; and
3. included backpacks as an item to be exempted from the imposition of sales tax during the period of operation of the act.

These amendments are traveling with the bill.

II. SUBSTANTIVE ANALYSIS:

A. PRESENT SITUATION:

Chapter 212, Florida Statutes, governs the collection of taxes on sales by the State. Apparel, including footwear, are among the items for which taxes upon sale must be collected by an authorized seller.

In 1998, Chapter 98-341, Laws of Florida, the Florida Family Tax Relief Act of 1998, was enacted to provide that apparel, including footwear, with a taxable value of \$50 or less, would be exempt from the imposition of sales tax for a seven day period in August 1998. The Revenue Estimating Conference estimates that this tax holiday impacted the State General Revenue Fund by an approximately \$15.2 million and local option sales tax receipts by approximately \$2.5 million.

B. EFFECT OF PROPOSED CHANGES:

House Bill 201 creates the Florida Residents' Tax Relief Act of 1999, which would exempt the purchase of apparel, including footwear, valued under \$100 or less from the State sales tax for seven days in August 1999.

See part II.E, section by section analysis, for details.

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?

The bill provides the Department of Revenue with the authority to adopt rules to administer the act. To implement the 1998 edition of the Act, Ch. 98-341, Laws of Florida, the Department adopted emergency rule 12AER 98-1, F.A.C., which describes the apparel items that the Department exempted from taxation for the period described in the Act.

(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

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?

N/A

b. Does the bill require or authorize an increase in any fees?

N/A

c. Does the bill reduce total taxes, both rates and revenues?

The bill would reduce the amount of sales tax revenue collected during the period of operation and therefore have an impact on the total taxes collected by the State and local governments.

d. Does the bill reduce total fees, both rates and revenues?

N/A

e. Does the bill authorize any fee or tax increase by any local government?

N/A

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:

N/A

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 \$100 or less beginning 12:01 a.m., August 14, 1999, and ending midnight, August 20, 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, scarves, ties, headbands, or belt buckles.

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 provisions of Ch. 120, Florida Statutes, to the contrary notwithstanding, 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>Revenues (in millions):</u>	<u>FY 1998-99</u>	<u>FY 1999-2000</u>
General Revenue Fund	est. (\$15.2 million)	est. (\$22.8 million)

N.B. The FY1999 estimate is provided by the Revenue Estimating Conference. The FY2000 is an unofficial estimate developed by the committee.

Expenditures

Indeterminate. The costs associated with the implementation should be absorbed as part of the normal operations of the Department; the Department is to be appropriated \$200,000 for the purposed of implementing this Act.

2. Recurring Effects:

Indeterminate.

3. Long Run Effects Other Than Normal Growth:

N/A

4. Total Revenues and Expenditures:

N/A

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

<u>Revenues (in millions):</u>	<u>FY 1998-99</u>	<u>FY 1999-2000</u>
Local Gov't. Optional Sales Taxes	est. (\$2.5 million)	est. (\$3.75 million)

N.B. The FY1999 estimate is provided by the Revenue Estimating Conference. The FY2000 is an unofficial estimate developed by the committee.

Expenditures

None.

2. Recurring Effects:

Indeterminate.

3. Long Run Effects Other Than Normal Growth:

N/A

C. **DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:**

1. Direct Private Sector Costs:

Indeterminate but probably de minimis. The enactment of HB 201 would be the second year of operation of this tax holiday; retailers affected by its provisions would merely have to activate existing procedures, ones developed for last year's tax holiday.

2. Direct Private Sector Benefits:

Private citizens will see a reduction in taxes collected on their purchases for a specified period in August 1999.

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

N/A

D. **FISCAL COMMENTS:**

N/A

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. **APPLICABILITY OF THE MANDATES PROVISION:**

This bill does not appear to require the counties or municipalities to spend funds or to take an action requiring the expenditure of funds.

B. **REDUCTION OF REVENUE RAISING AUTHORITY:**

This bill does not appear to reduce the authority that municipalities or counties have to raise revenue in the aggregate.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill does not appear to reduce the percentage of a state tax shared with counties or municipalities.

V. COMMENTS:

The Florida Retailers Association reports that anecdotal information obtained from its members found an increase in sales and customer satisfaction. Although the Association did not conduct a scientific survey, it did find that the tax holiday was viewed favorably by most of its membership. The Association suggested that retailers that sell apparel as a customer convenience, such as drug stores or gas stations, were less satisfied with the tax holiday because the amount of sales of apparel items at these stores did not justify the cost and inconvenience of reprogramming and training staff to deal with the tax holiday.

Attached is a copy of the Department of Revenue's publication TIP 98A01-04, which describes the implementation of the 1998 act, including special circumstances, restrictions, and limitations developed by the Department in its interpretation of the Act. The TIP also includes the contents of the emergency rule 12AER 98-1, F.A.C., the listing of apparel exempt from sales tax for the August 1998 period.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

The Committee on Governmental Rules and Regulations, at its January 21, 1999 meeting, adopted three amendments to the bill:

1. changed the date of the period of operation of the act to 12:01 am, July 31, 1999, through midnight, August 8, 1999;
2. removed ties, scarves, and belt buckles from the statutory list of items excluded from the provisions of the act; and
3. included backpacks as an item to be exempted from the imposition of sales tax during the period of operation of the act.

All three amendments were adopted by unanimous votes. These amendments are traveling with the bill.

VII. SIGNATURES:

COMMITTEE ON GOVERNMENTAL RULES AND REGULATIONS:

Prepared by:

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David M. Greenbaum

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