

STORAGE NAME: h0397.bdt

DATE: February 26, 1999

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
BUSINESS DEVELOPMENT AND INTERNATIONAL TRADE
ANALYSIS**

BILL #: HB 397

RELATING TO: Sales Tax Exemption/Machinery Repair

SPONSOR(S): Representative Feeney

COMPANION BILL(S): SB 992(I)

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

- (1) BUSINESS DEVELOPMENT AND INTERNATIONAL TRADE
- (2) FINANCE AND TAXATION
- (3) GENERAL APPROPRIATIONS
- (4)
- (5)

I. SUMMARY:

This bill provides an exemption from the sales, use and storage tax imposed by s. 212.08, Florida Statutes, for labor charges for the repair of, and parts and materials used in the repair of and incorporated into, industrial machinery and equipment which is used for the manufacturing, processing, compounding, or production of items of tangible personal property at a fixed location in Florida.

The exemption applies only to certain industry codes as classified under the Standard Classification Manual, 1987, as published by the Office of Management and Budget, Executive Office of the President. Additionally, the exemption would be phased-in at the rate of 25 percent per year beginning with July 1, 1999 and continuing until July 1, 2002.

This bill does not address the issue of rule-making.

The revenue estimating conference has not yet addressed this bill.

II. SUBSTANTIVE ANALYSIS:

A. PRESENT SITUATION:

Chapter 212, Florida Statutes, provides for the tax on sales, use and other transactions. Section 212.05, F.S., provides that every person who engages in the business of selling tangible personal property at retail in this state, including the business of making mail order sales, or who rents or furnishes any of the things or services taxable under chapter 212, F.S., or who stores for use or consumption any item or article of tangible personal property and who leases or rents such property is exercising a taxable privilege. Section 212.05(1)(a)1.a., F.S., provides for a six percent tax rate on the retail price of each item or article of tangible personal property when sold at retail in this state.

Section 212.02, F.S., provides definitions for the implementation of this chapter and paragraph (16) of this section states that "sales price" includes the consideration for a transaction which requires both labor and material to alter, remodel, maintain, adjust, or repair tangible personal property. Section 212.02(19), F.S., defines "tangible personal property" as personal property which may be seen, weighed, measured, or touched or is in any manner perceptible to the senses. Section 212.08, F.S., provides for exemptions from the sales and use tax imposed by this chapter.

Certain industries are classified under the Standard Industrial Classification (SIC) Manual, 1987, published by the Office of Management and Budget, Executive Office of the President. The following are the SIC codes and their industry description affected by this bill: 10 - Metal Mining; 12 - Coal Mining; 13 - Oil and Gas Extraction; 14 - Nonmetallic Materials, except fuels; 20 - Food and kindred products; 22 - Textile Mill Products; 23 - Apparel and other Textile Products; 24 - Lumber and Wood Products; 25 - Furniture and Fixtures; 26 - Paper and Allied Products; 27 - Printing and Publishing; 28 - Chemicals and Allied Products; 29 - Petroleum and Coal Products; 30 - Rubber and Misc. Plastics Products; 31 - Leather and Leather Products; 32 - Stone, Clay and Glass Products; 33 - Primary Metal Products; 34 - Fabricated Metal Products; 36 - Electronic and Other Electric Equipment; 37 - Transportation Equipment; 38 - Instruments and Related Products; 39 - Miscellaneous Manufacturing Industries; and 212 - Cigars.

B. EFFECT OF PROPOSED CHANGES:

Industries in the following SIC Major Groups would not be subject to the tax on sales, use, and other transactions imposed by Chapter 212, Florida Statutes, for labor charges for the repair of, and parts and materials used in the repair of and incorporated into, industrial machinery and equipment which is used for the manufacture, processing, compounding, or production of items of tangible personal property at a fixed location within this state: 10, 12, 13, 14, 20, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 36, 37, 38, 39, and 212.

The tax exemption provided herein would be effective beginning July 1, 1999 at a rate of 25 percent of such charges for repair parts and labor, and would increase at a rate of 25 percent until reaching 100 percent beginning July 1, 2002.

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 does not address rulemaking.

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

Yes, to the extent the Department of Revenue must implement the provisions of the bill.

- (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, however; the revenue estimating conference has not yet addressed this bill.

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

The revenue estimating conference has not yet addressed this bill.

- 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?

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:

Section 212.08, Florida Statutes.

E. SECTION-BY-SECTION ANALYSIS:

This section need be completed only in the discretion of the Committee.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

The revenue estimating conference has not yet addressed this bill.

2. Recurring Effects:

The revenue estimating conference has not yet addressed this bill.

3. Long Run Effects Other Than Normal Growth:

The revenue estimating conference has not yet addressed this bill.

4. Total Revenues and Expenditures:

The revenue estimating conference has not yet addressed this bill.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

The revenue estimating conference has not yet addressed this bill.

2. Recurring Effects:

The revenue estimating conference has not yet addressed this bill.

3. Long Run Effects Other Than Normal Growth:

The revenue estimating conference has not yet addressed this bill.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

N/A

2. Direct Private Sector Benefits:

The revenue estimating conference has not yet addressed this bill.

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:

The revenue estimating conference has not yet addressed this bill.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

The revenue estimating conference has not yet addressed this bill.

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

The revenue estimating conference has not yet addressed this bill.

V. COMMENTS:

N/A

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

N/A

VII. SIGNATURES:

COMMITTEE ON BUSINESS DEVELOPMENT AND INTERNATIONAL TRADE:

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