# SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based only on the provisions contained in the legislation as of the latest date listed below.)

CS/SB	1868
	CS/SB

# SPONSOR: Fiscal Resource Committee and Senator Thomas & Others

SUBJECT: Sales Tax/Farm Equipment

DATE:	April 13, 2000	REVISED:		
1. 2. 3. 4.	ANALYST Keating	STAFF DIRECTOR Wood	REFERENCE FR AG	ACTION Favorable/CS
5.				

#### I. Summary:

CS/SB 1868 revises application of the partial sales and use tax exemption on self-propelled, power-drawn, or power-driven farm equipment by replacing a list of specified activities in which the equipment must be used with the requirement for use in "agricultural production." A definition for the term "agricultural production" is provided.

The bill also reduces the sales tax rate on the qualifying farm equipment from 3 percent to 2.5 percent effective January 1, 2001.

This bill substantially amends, creates, or repeals the following sections of the Florida Statutes: 212.02, 212.08, and 212.12

## II. Present Situation:

Prior to October 1, 1998, Florida law provided a partial sales and use tax exemption rate of three percent on farm equipment either self-propelled or power-drawn or used exclusively by a farmer on a farm owned, leased or sharecropped by the farmer in plowing, cultivating, or harvesting crops. In s. 212.08(3), F.S., the 1998 Legislature extended the partial exemption to self-propelled, power-drawn, or power-driven farm equipment used on a farm or in a forest for plowing, planting, cultivating, or harvesting crops or products in agricultural industries or for related fire prevention and suppression. The partial exemption does not include equipment used in post-harvest processing or marketing activities.

Section 212.12(11), F.S., provides that the Department of Revenue may provide, by rule, for application of the bracket system to transactions subject to state sales or use tax at three percent pursuant to s. 212.08(3), F.S.

#### III. Effect of Proposed Changes:

CS/SB 1868 amends s. 212.08(3), F.S., to extend the partial sales and use tax exemption rate to equipment used in any stage of agricultural production, as defined in the bill. An equipment purchaser, renter, or lessee will be required to sign a certificate stating that the farm equipment will be used exclusively on a farm or in a forest for agricultural production. Rental and lease of exempt equipment are added to the transactions qualifying for the exemption.

The bill also reduces the sales tax rate on qualifying farm equipment from 3 percent to 2.5 percent effective January 1, 2001.

The bill amends s. 212.12(11), F.S., reducing the 3 percent tax bracket to 2.5 percent to reflect the change in the sales tax rate.

The bill takes effect January 1, 2001.

## IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

This bill initially falls under subsection (b) of section 18 of Article VII, Florida Constitution. Subsection (b) requires a two-thirds vote of the membership of each house in order to enact a general law reducing the authority that municipalities and counties had on February 1, 1989 to raise revenues in the aggregate. By adding an exemption to the state sales tax, the bill has the effect of adding an exemption to the local option sales surtax. Since the annual local revenue loss is estimated to be more than \$1.4 million, the bill will not be exempt from the requirements of subsection (b).

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

## V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

Based on the Revenue Estimating Conference estimates of a total sales tax exemption for qualified farm equipment, the 0.5 percent sales tax rate reduction from 3 percent to 2.5 percent would result in a recurring loss to the General Revenue Fund of \$2.7 million.

	General Revenue		Trust		Local		Total	
Issue/Fund	1st Year	Recurring	1st Year	Recurring	1st Year	Recurring	1st Year	Recurring
	\$	\$	\$	\$	\$	\$	\$	\$

Issu 0.5 % tax	ue/Fur reduct		1st Year (0.5)	Recurring (2.7)	1st Year (*)	Recurring (*)	1st Year (*)	Recurring (*)	1st Year (0.5)	Recurring (2.7)
		*	Insignificant Indeterminate							
	В.	Pri	vate Sector I	mpact:						
	<ul><li>Farmers and others involved in agricultural production will benefit by paying less sales and use taxes.</li><li>C. Government Sector Impact:</li></ul>									ales and
		No	ne.							
VI.	Technical Deficiencies:									
	None.									
VII.	Related Issues:									
	No	one.								
VIII.	Am	endm	ents:							
	No	one.								
	This	s Sena	te staff analysis de	bes not reflect	the intent or	official positio	on of the bill	s sponsor or th	ne Florida Se	nate.