

STORAGE NAME: h0533.ca

DATE: January 20, 2000

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
COMMUNITY AFFAIRS
ANALYSIS**

BILL #: HB 533

RELATING TO: Sales Tax/Fire Alarms/Extinguishers

SPONSOR(S): Representatives Barreiro, Waters, and Others

TIED BILL(S): None.

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

- (1) COMMUNITY AFFAIRS (PRC)
 - (2) FINANCE & TAXATION (FRC)
 - (3) GENERAL GOVERNMENT APPROPRIATIONS (FRC)
 - (4)
 - (5)
-

I. SUMMARY:

This bill exempts from sales tax certain fire alarms, smoke detectors, fire extinguishers, and carbon monoxide detectors that are designed primarily for installation in residential households.

The Impact Conference's preliminary analysis estimates the bill results in a loss of \$4.7 million to General Revenue in FY 2001-2002. In addition, the bill reduces revenues collected by local governments under local option sales taxes by an estimated \$300,000 in FY 2001-2002, and reduces the amount of the Local Government Half Cent Sales Tax shared with municipalities and counties by an estimated \$500,000 in FY 2001-2002.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|---|-----------------------------|---|
| 1. <u>Less Government</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. <u>Lower Taxes</u> | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| 3. <u>Individual Freedom</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a "no" above, please explain:

B. PRESENT SITUATION:

Chapter 212, F.S., 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 212.05(1)(b), F.S., provides for a six percent tax on the cost price of any item of tangible personal property that is not sold but is used in the state. Additionally, local governments are authorized to levy one or more of six types of Local Discretionary Sales Surtaxes, ranging from 0.5 percent to 1.0 percent each.

Section 212.08(5)(g), F.S., provides a variety of exemptions from the state sales and use tax. Home fire safety equipment is not exempted and is subject to sales tax.

C. EFFECT OF PROPOSED CHANGES:

This bill exempts from sales tax the purchase of fire alarms, smoke detectors, fire extinguishers, and carbon monoxide detectors that are designed primarily to be installed in residential households.

D. SECTION-BY-SECTION ANALYSIS:

Section 1. Paragraph (ggg) is added to subsection (7) of section 212.08, F.S., to exempt from sales tax fire alarms, smoke detectors, fire extinguishers, and carbon monoxide detectors that:

- Are designed primarily for installation in residential households;
- Do not comprise a system or part of a system that sends a signal, alarm, or other communication to any point outside the structure in which it is installed; and

- Are freestanding or designed to be attached to a floor, wall, or ceiling by means of screws or similar hardware.

An alarm, detector, or extinguisher whose installation requires alteration of a floor, wall, or ceiling, or that requires the installation of cable or wires within a floor, wall, or ceiling is not exempted by this paragraph.

Section 2. An effective date of July 1, 2001, is provided.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

	<u>2000-2001</u>	<u>2001-2002</u>
Sales Tax Exemption General Revenue Fund	\$0	(\$4,700,000)

2. Expenditures:

The Department of Revenue indicates the bill has no fiscal impact on the department.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

The bill reduces revenues collected by local governments under local option sales taxes by an estimated \$300,000 in FY 2001-2002, and reduces the amount of the Local Government Half Cent Sales Tax shared with municipalities and counties by an estimated \$500,000 in FY 2001-2002.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The bill reduces the costs of specified fire safety equipment purchased by individuals and businesses.

D. FISCAL COMMENTS:

The Impact Conference used the following assumptions in their analysis:

- Number of housing units in Florida in 1999-2000 7,299,000
- New household formation in Florida 1999-2000 27,000
- Assume that two thirds of these households own residences, and that each residence has 3 smoke detectors and 1 fire extinguisher in it.

- The other one-third of households live in apartments - 75% of multi-unit dwellings in the state are assumed to have a built-in system of smoke detectors. A fire extinguisher is assumed to be provided by either management or the resident.
- Number of residential smoke detectors 16,477,493
- Number of residential fire extinguishers 7,299,000
- Businesses that invite the public into their place of business are required to have certified fire extinguishers and generally have sprinkler systems installed that have smoke-detection capabilities. It is assumed that these fire extinguishers will be exempt from tax. Each place of business is assumed to have 3 extinguishers that last 5 years on average. Only retail & wholesale trade, FIRE, personal & business services and manufacturing are included.
- Number of new fire extinguishers used by business in 1999-2000 966,570
- Assume that smoke detectors are replaced every 10 years and that fire extinguishers are replaced every 5 years.
- Number of new smoke detectors needed in 1999-2000 1,729,028
- Number of new fire extinguishers needed in 1999-2000 1,680,207
- Assume an average price of \$20 for smoke detectors and \$30 for fire extinguishers.
- Expenditures on smoke detectors & fire extinguishers in 1999-2000 \$84,986,775
- Sales tax @6% \$ 5,099,207

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(c), Florida Constitution does not apply.

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V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

None.

B. RULE-MAKING AUTHORITY:

This bill does not necessitate additional rule making authority.

C. OTHER COMMENTS:

None.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

None.

VII. SIGNATURES:

COMMITTEE ON COMMUNITY AFFAIRS:

Prepared by:

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