

**STORAGE NAME:** h0587s1.ft

**DATE:** April 26, 2000

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

**BILL #:** CS/HB 587 and 1073

**RELATING TO:** Sales Tax Exemptions

**SPONSOR(S):** Committee on Finance & Taxation and Representatives Fasano, Fuller, and others

**TIED BILL(S):** None

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

- (1) FINANCE AND TAXATION YEAS 11 NAYS 0
  - (2) GENERAL GOVERNMENT APPROPRIATIONS
  - (3)
  - (4)
  - (5)
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**I. SUMMARY:**

Presently, industrial machinery and equipment purchased for exclusive use by an expanding facility which is engaged in spaceport activities or for use in expanding manufacturing facilities that produce tangible personal property for sale is exempt for the amount of sales and use tax imposed in excess of \$50,000 per calendar year. The bill reduces from \$50,000 to \$15,000 the amount that must be paid before the exemption applies.

The estimated fiscal impact upon General Revenue is (\$9.9) million for FY 00-01 and (\$11.0) million for FY 01-02. There will be a negative, but insignificant impact on the Solid Waste Management Trust Fund. The estimated fiscal impact upon local governments is (\$1.6) million for FY 00-01 and (\$1.8) million for FY 01-02. The total estimated fiscal impact for this bill is (\$11.5) million for FY 00-01 and (\$12.8) million for FY 01-02.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- 1. Less Government                      Yes     No     N/A
- 2. Lower Taxes                              Yes     No     N/A
- 3. Individual Freedom                      Yes     No     N/A
- 4. Personal Responsibility                      Yes     No     N/A
- 5. Family Empowerment                      Yes     No     N/A

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

B. PRESENT SITUATION:

Section 212.08(5)(b)2.a., F. S., provides that industrial machinery and equipment purchased for exclusive use by an expanding facility which is engaged in spaceport activities or for use in expanding manufacturing facilities that produce tangible personal property for sale is exempt for the amount of sales and use tax imposed in excess of \$50,000 per calendar year. The spaceport and manufacturing facilities must affirmatively show that the items of machinery and equipment are used to increase productive output of the business by not less than 10 percent.

C. EFFECT OF PROPOSED CHANGES:

Section 212.08(5)(b)2.a., F. S., is amended to provide that industrial machinery and equipment purchased for exclusive use by an expanding facility which is engaged in spaceport activities or for use in expanding manufacturing facilities that produce tangible personal property for sale is exempt for the amount of sales and use tax imposed in excess of \$15,000 per calendar year.

D. SECTION-BY-SECTION ANALYSIS:

See II. C.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

	<u>FY 00-01</u>	<u>FY 01-02</u>
General Revenue	(\$9.9M)	(\$11.0M)
Trust Fund	(*)	(*)
Local Gov't Half Cent TF	(\$1.0)	(\$1.1)
Local Option Sales Tax	(\$0.6)	(\$0.7)

2. Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

See III.A.1.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Expanding businesses will receive a greater sales and use tax exemption on new machinery and equipment. This tax incentive may encourage businesses to expand or to spend more on expansions.

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:

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A. CONSTITUTIONAL ISSUES:

None.

B. RULE-MAKING AUTHORITY:

N/A

C. OTHER COMMENTS:

None.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

On April 26, 2000, the Committee on Finance and Taxation adopted a Committee Substitute for HB 587 and 1073. The Committee Substitute differs from the original bills.

HB 587 includes specialty chemicals and bioaugmentation products within the sales tax exemption for equipment and machinery used for pollution control in connection with the manufacture of items of tangible personal property for sale. The bill also provides that machinery and equipment used by an expanding facility engaged in spaceport activities or by certain expanding manufacturing facilities is totally exempt from sales tax in any year in which the tax liability thereon exceeds \$25,000.

HB 1073 provides that machinery and equipment used by an expanding facility engaged in spaceport activities or by certain expanding manufacturing facilities is totally exempt from sales tax by removing the \$50,000 limit. The bill creates an exemption for machinery and equipment purchased for use in manufacturing that is not eligible for the exemption for new or expanding businesses. The exemption is phased in over a 5-year period.

VII. SIGNATURES:

COMMITTEE ON FINANCE AND TAXATION:

Prepared by:

Staff Director:

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Lynne Overton

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Alan Johansen