

STORAGE NAME: h0641.brc

DATE: February 9, 2000

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
BUSINESS REGULATION & CONSUMER AFFAIRS
ANALYSIS**

BILL #: HB 641

RELATING TO: Sales Tax/Vending Machines

SPONSOR(S): Representative Hart

TIED BILL(S): None

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

- (1) BUSINESS REGULATION & CONSUMER AFFAIRS
 - (2) FINANCE & TAXATION
 - (3) GENERAL GOVERNMENT APPROPRIATIONS
 - (4)
 - (5)
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I. SUMMARY:

This bill reduces several of the divisors for the purpose of calculating sales tax on food and beverage items which are sold through vending machines. The effect of this reduction is to lower the taxes due on sales of these products.

The estimated fiscal impact upon General Revenue is (\$1.0) million for FY 2000-2001 and (\$1.1) million for FY 2001-2002. There will be a negative, but insignificant impact on the Solid Waste Management Trust Fund. The estimated fiscal impact upon local governments is (\$0.2) million for FY 2000-2001 and (\$0.2) million for FY 2001-2002. The total estimated fiscal impact for this bill is (\$1.2) million for FY 2000-2001 and (\$1.3) million for FY 2001-2002

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

B. PRESENT SITUATION:

Chapter 212, F.S., provides that a sales and use tax be imposed on the retail sale or lease of tangible personal property. The general sales tax rate is 6%. Local governments are authorized to levy one or more of several types of Local Discretionary Sales Surtaxes, ranging from 0.5 percent to 1.5 percent. For most transactions, sales tax is calculated on the sales price of each item of tangible personal property when sold at retail. However, sales tax on sales from vending machines is calculated in a different manner.

Sales tax on items sold through vending machines is calculated on the gross receipts from the sales. Specifically, the sales tax is calculated by dividing the gross receipts from the sales for the applicable reporting period by a divisor to compute gross taxable sales, and then subtracting gross taxable sales from gross receipts to arrive at the amount of tax due. Since the divisors are different for each product, food and beverage items are taxed at different rates than other tangible personal property. The divisor is equal to 1.0625 for food and beverage items and 1.0659 for other items of tangible personal property. The statute also provides divisors for counties with sales surtax rates of 0.5 percent, 0.75 percent, 1 percent and 1.5 percent.

C. EFFECT OF PROPOSED CHANGES:

The bill amends s. 212.0515, F.S., to reduce the amount of sales tax paid on food and beverage sales from vending machines by lowering certain factors in the formula used for calculating sales tax.

The rates used as the divisor in the tax calculation are reduced as follows.

	Product	Current Divisor	Proposed Divisor
Non-surtax county	Food/Beverage	1.0645	1.0625
0.5% surtax	Food/Beverage	1.0686	1.0666
0.75% surtax	Food/beverage	1.0706	1.0686
1.00% surtax	Food/beverage	1.0726	1.0706
1.50% surtax	Food/beverage	1.0767	1.0747

The bill takes effect July 1, 2000.

D. SECTION-BY-SECTION ANALYSIS:

See Effect of Proposed Changes in C. above.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. <u>Revenues:</u>	2000-01	2001-02
General Revenue	(\$1.0M)	(\$1.1M)
<u>Expenditures:</u>	2000-01	2001-02
Department of Revenue	\$25,000*	

* \$25,000 in FY 2000-01 is for one time cost to notify taxpayers of mid-year tax rate changes.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. <u>Revenues:</u>	2000-01	2001-02
Local Government	(\$0.2M)	(\$0.2M)
2. <u>Expenditures:</u>		
None.		

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The bill is designed to lower the tax rate on food and beverage products which are sold through vending machines. Vending machine operators selling these products should recognize savings totaling \$1.2 million in fiscal year 2000-01 and \$ 1.3 million in fiscal year 2001-02.

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.

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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 counties and municipalities, it does not reduce the percentage of a state tax shared with counties and municipalities. Therefore, Article VII, Section 18(b), Florida Constitution does not apply.

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

None.

B. RULE-MAKING AUTHORITY:

N/A

C. OTHER COMMENTS:

None.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

N/A

VII. SIGNATURES:

COMMITTEE ON BUSINESS REGULATION & CONSUMER AFFAIRS:

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