

STORAGE NAME: h0691.grr

DATE: January 27, 2000

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
GOVERNMENTAL RULES & REGULATIONS
ANALYSIS**

BILL #: HB 691

RELATING TO: Tax Exemption/Children's Clothing

SPONSOR(S): Representative Andrews

TIED BILL(S):

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

- (1) GOVERNMENTAL RULES & REGULATIONS
 - (2) FINANCE & TAXATION
 - (3) GENERAL APPROPRIATIONS
 - (4)
 - (5)
-

I. SUMMARY:

HB 691 exempts from state sales tax children's clothing. The bill directs the Department of Revenue (department) to establish a technical assistance advisory group, composed of members of the public and private sectors, which will advise the department in determining the taxability of specific articles of children's clothing.

The bill has not been examined by the Impact Estimating Conference and its fiscal impact has not yet been determined.

The act shall take effect October 1, 2000.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|---|--|---|
| 1. <u>Less Government</u> | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> | N/A <input 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:

The Department of Revenue (department), as required with any tax law change, will need to notify the affected public on how to comply with the new law. In addition, the department is required to create a technical assistance advisory group.

B. PRESENT SITUATION:

Florida law requires 6 percent sales tax to be charged on sales of tangible personal property. Currently, sales of children's clothing are subject to state sales taxes. Many of these items were exempt from sales tax during the tax free periods authorized by the Florida Residents' Tax Relief Acts of 1998 and 1999.

C. EFFECT OF PROPOSED CHANGES:

HB 691 exempts from state sales tax children's clothing sizes 0-3 months, 3-6 months, 6-9 months, 12 months, 24 months, 2T, 3T, 4T, 5T, 6, and 6X. The bill does not provide for sales tax exemptions for other children's clothing sizes, such as sizes "3 months" or "6 months" or "infant." Many clothing brands do not use the standard sizing itemized in the bill.

As used in the section, articles of children's clothing includes all inner and outer wear (baby blankets and disposable and reusable diapers), footwear, headwear, neckwear, hosiery, shirts, gloves, mittens, socks, bathing suits, robes, pajamas, underwear, handkerchiefs, gym suits, rubbers, arctics, boots, sneakers, belts, suspenders, garters, novelty costumes, and similar articles of children's clothing.

The department is directed to establish a non-compensated technical assistance advisory group composed of public and private sector members, such as representatives of clothing manufacturers, retailers, and retail trade or industry associations, to advise the department in determining the taxability of specific articles of children's clothing.

D. SECTION-BY-SECTION ANALYSIS:

Section 1: Provides a sales tax exemption for the sale of children's clothing sized 0-3 months, 3-6 months, 6-9 months, 12 months, 24 months, 2T, 3T, 4T, 5T, 6, and 6X. Provides exemptions.

Directs the department of Revenue to establish a technical assistance advisory group composed of public and private sector members, such as representatives of clothing manufacturers, retailers, and retail trade or industry associations, to advise the department in determining the taxability of specific articles of children's clothing. Exempts the group from provisions of chapter 120 and prohibits compensation for serving on the group.

Section 2: Provides that the act shall take effect October 1, 2000.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT: **Please see Fiscal Comments.**

1. Revenues:

2. Expenditures:

B. FISCAL IMPACT ON LOCAL GOVERNMENTS: **Please see Fiscal Comments.**

1. Revenues:

2. Expenditures:

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR: **Please see Fiscal Comments.**

D. FISCAL COMMENTS:

HB 691 has not been examined by the Impact Estimating Conference, and its fiscal impact has not yet been determined.

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:

HB 691 will reduce the authority of municipalities and counties to raise revenue through local option sales tax. The bill has not yet been reviewed by the Revenue Estimating Conference, and therefore its fiscal impact has not yet been determined. However, if the impact is \$1.5 million or greater, then the fiscal impact will be deemed significant and the bill will be subject to the provisions of Article VII, Section 18(b), Florida Constitution (must be passed by 2/3 vote in each house).

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

The bill does not reduce the percentage of a state tax shared with counties or municipalities.

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

N/A

B. RULE-MAKING AUTHORITY:

This bill does not provide the Department of Revenue with specific rule-making authority to implement the provisions of this section. Due to possible broad interpretations of "children's clothing," specific rules need to be approved and promulgated by the department. The department will need to adopt the listing of approved clothing as a rule to provide proper notice to sellers and buyers of clothing that would qualify for the exemption.

C. OTHER COMMENTS:

N/A

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

N/A

VII. SIGNATURES:

COMMITTEE ON GOVERNMENTAL RULES & REGULATIONS:

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