

STORAGE NAME: h0879a.ft

DATE: April 19, 2000

**HOUSE OF REPRESENTATIVES
AS FURTHER REVISED BY THE COMMITTEE ON
FINANCE & TAXATION
ANALYSIS**

BILL #: HB 879

RELATING TO: Sales Tax/Printed Materials

SPONSOR(S): Representative Lynn and others

TIED BILL(S):

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

- (1) BUSINESS DEVELOPMENT & INTERNATIONAL TRADE YEAS 9 NAYS 0
 - (2) GOVERNMENTAL RULES & REGULATIONS YEAS 8 NAYS 0
 - (3) FINANCE & TAXATION YEAS 15 NAYS 0
 - (4) GENERAL GOVERNMENT APPROPRIATIONS
 - (5)
-

I. SUMMARY:

The bill provides language limiting responsibility for paying sales and use taxes due on printed materials by a printer when the materials are delivered to the United States Postal Service for mailing to persons located within and outside Florida. Further, the bill provides that the printer of materials delivered by mail to persons located within and outside Florida has no obligation or responsibility for the payment or collection of any taxes imposed on the printed materials. However, the language specifies that printers are obligated to collect taxes due on the printed materials when all, or substantially all, of the materials will be mailed to persons within Florida. Language is included stating that, for the purposes of the printer's tax collection obligation, there is a rebuttable presumption that all materials printed at a facility are mailed to persons located within that same state as that in which the facility is located. The purchaser of the printed materials remains responsible for any taxes due on the printed material.

The Department of Revenue (DOR or department) is authorized to adopt rules and forms to implement the provisions of the Act.

The bill provides an effective date of July 1, 2000.

The bill will reduce General Revenue receipts by an estimated (\$.3) million in FY 2000-2001 and FY 2001-2002.

Three amendments are traveling with the bill.

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 type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" 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:

Less Government

The Department of Revenue will need to adopt rules and forms to implement the provisions of the bill. In addition, with the change from a sales tax by printers to a use tax by customers, the department will interact with and audit more taxpayers.

B. PRESENT SITUATION:

Section 212.06, F. S., sets forth the general provisions for the determination and collection of the tax on sales, storage, and use tax. It provides definitions, and legislative intent. Section 212.06(1)(a), F.S., states that the tax rate is 6 percent of the retail sales price at the moment of sale, 6 percent cost price at the moment of purchase, or 6 percent of the cost price as of the moment of commingling with the general mass of property in this state, and shall be collectible from all dealers as herein defined on the sale at retail, the use, the consumption, the distribution, and the storage for use or consumption in Florida of tangible personal property taxable under Chapter 212, F.S.

Section 212.06(2), F.S., provides the definition for "dealer" and includes every person who manufactures or produces tangible personal property for sale at retail; for use, consumption, or distribution; or for storage to be used or consumed in Florida.

Section 212.06(6), F.S., provides that the intent of Chapter 212, F.S., is to levy a tax on the sale at retail, the use, the consumption, the distribution, and the storage to be used or consumed in this state of tangible personal property after it has come to rest in this state and has become a part of the mass property of this state. "Tangible personal property" is defined in s. 212.02(19), F.S., to include personal property which may be seen, weighed, measured, or touched or is in any manner perceptible to the senses. "Use" is defined in s. 212.06(20), F.S., to mean and include the exercise of any right or power over tangible personal property.

The Department of Revenue, in Rule 12A-1.027, Florida Administrative Code, Sales by Persons Engaged in Printing, states that sales to ultimate consumers for the printing of tangible personal property are taxable. Additionally, this rule states a "nonresident print purchaser" is an out-of-state purchaser who is not required to be registered with the DOR as a dealer. Exemptions to the otherwise taxable sale are also provided.

For example: a mail order company engages a printer to print a catalog to be mailed directly to its customers. The mail-order company sends to the printer a diskette providing the mailing list of its customers to be affixed to the catalogs and subsequently mailed to the customers by the printer. The amount of tax due is based on the actual number of catalogs mailed to Florida residents.

C. EFFECT OF PROPOSED CHANGES:

The bill would provide an exception to the responsibility of collecting the taxes due on the sale of tangible personal property for distribution, storage, or use or other consumption, in the State of Florida to a dealer.

The exception provides that the purchaser of printed materials shall have sole responsibility for the taxes imposed by Chapter 212, F.S., on those materials when the printer of the materials delivers them to the United States Postal Service for mailing to persons located within and outside Florida. However, printers are obligated to collect the taxes imposed by Chapter 212, F.S., when all or substantially all of the printed materials will be mailed to persons located within Florida.

Specifically, the bill adds language stating that, for the purposes of the printer's tax collection responsibilities, there is a rebuttable presumption that all materials printed at a facility are mailed to persons located within the same state as that in which the facility is located.

The bill authorizes the DOR to adopt rules and forms to implement the provisions of the bill.

D. SECTION-BY-SECTION ANALYSIS:

This section need be completed only in the discretion of the Committee.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

The Revenue Estimating Conference has estimated that this bill will have a recurring annual negative fiscal impact of \$8.6 million to state revenues.

2. Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

The Revenue Estimating Conference has estimated that this bill will have a recurring annual negative fiscal impact of \$1.4 million to local revenues.

2. Expenditures:

N/A

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Printers would no longer be obligated to collect the taxes due for the “use” and “consumption” of certain printed materials under certain circumstances.

D. FISCAL COMMENTS:

Subsequent to the March 23, 2000, meeting of the Committee on Governmental Rules & Regulations, the Revenue Estimating Conference estimated the total recurring negative fiscal impact at \$10 million annually.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

The bill does not require the counties or municipalities to spend funds or to take an action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

The bill reduces local revenue raising authority by \$1.4 million. As such, the bill is subject to the requirements of the Mandate Provision.

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:

None.

B. RULE-MAKING AUTHORITY:

The bill provides authority for DOR to adopt “reasonable” rules, forms, and procedures necessary to implement its provisions. See OTHER COMMENTS.

C. OTHER COMMENTS:

Comments by the Committee on Governmental Rules & Regulations

In 1996, the Legislature disapproved a lenient judicially-created standard for determining the validity of agency rules and enacted a more strict standard that required citation to a specific statute as a basis for a rule. As such, any grant of rulemaking should be drafted to limit agency authority to adopt rules to the specific powers and duties described in the section. The committee recommends the rewording of the rule-making authority provided in this bill to make it conform to current practice.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

On March 23, 2000, the Committee on Governmental Rules & Regulations adopted the following amendment and reported the bill favorably, as amended:

Amendment 1 - Reworded the rule-making authority provided in the bill to conform it to current practice.

On April 18, 2000, the Committee on Finance and Taxation adopted two amendments and reported the bill favorably, as amended. These amendments provided clarification and conformed the bill to the language of the Senate bill.

Amendment 1 - Clarifies that the purchaser of printed material shall have sole responsibility for the taxes imposed by chapter 212, F.S., on those materials when the printer of the materials delivers them to the United States Postal Service for mailing to persons other than the purchaser, located within and outside Florida.

Amendment 2 - States that a certificate provided by the purchaser to the printer concerning the delivery of the printed materials for that purchase or all purchases shall be sufficient for purposes of rebutting the presumption created in the bill.

VII. SIGNATURES:

COMMITTEE ON BUSINESS DEVELOPMENT & INTERNATIONAL TRADE:

Prepared by:

Staff Director:

Jill Fike Turman

J. Paul Whitfield, Jr.

AS REVISED BY THE COMMITTEE ON GOVERNMENTAL RULES & REGULATIONS:

Prepared by:

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