

**STORAGE NAME:** h0089.go

**DATE:** October 19, 1999

**HOUSE OF REPRESENTATIVES  
COMMITTEE ON  
GOVERNMENTAL OPERATIONS  
ANALYSIS**

**BILL #:** HB 89

**RELATING TO:** Sales Tax/Tangible Personal Property

**SPONSOR(S):** Representative L. Miller

**TIED BILL(S):**

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

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

**I. SUMMARY:**

This bill provides for a sales tax "holiday" (an exemption from sales tax) on virtually all items of tangible personal property with a selling price of \$100.00 or less, during the period from 12:01 a.m., August 4, 2000, through midnight, August 10, 2000.

There are items related to alcoholic beverages, tobacco, firearms and ammunition, on which the *exemption* from sales tax does not apply.

This bill is a similar, but a more ambitious version, of bills offered during the previous two legislative sessions which passed into law.

The Legislature's demographics office estimates that this bill exempts from 50% to 53% of the sales tax base for the applicable period, and will have a negative fiscal impact on state sales tax collections of up to \$340 million.

This bill has an estimated negative fiscal impact on local governments of \$19.48 million.

The Florida Retail Federation reports that anecdotal evidence from state retailers indicates that the retailers are very pleased with the consumer response to the previous sales tax holidays.

This bill provides rulemaking authority to the Department of Revenue.

This bill provides an effective date of upon becoming a law.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

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

For any principle that received a "no" above, please explain: This bill either directly, or indirectly applies to each principle noted in this section. Lower taxes mean individuals retain more of their assets, have additional financial freedom, and are empowered to allocate such assets as they choose. In fact, such freedom obligates people to accept the responsibility for allocating those assets wisely, or suffer the consequences. Lower tax revenues means government is obligated to limit, or even reduce its size and activities.

B. PRESENT SITUATION:

Although there are a number of exemptions from the imposition, collection and payment of state sales tax, there is currently no statutory provision for the time-limited tangible personal property relief addressed in this bill. However, the last two Sessions of the Legislature produced several similar bills in the Senate and House of Representatives. Legislation providing for similar, time-limited sales tax "holidays" was eventually adopted during both Sessions, and passed into law.

C. EFFECT OF PROPOSED CHANGES:

According to the Economic & Demographic Research unit of the Office of Legislative Services (OLS), this bill exempts approximately 50% to 53% of the sales tax base from sales tax during the period from 12:01 a.m., August 4, 2000, through midnight, August 10, 2000.

All items of tangible personal property with a selling price of \$100.00 or less, *except alcoholic beverages, cigarettes, tobacco, tobacco products, firearms and antique firearms (as defined by ss. 790.001(1), and 790.001(6), F.S.), and ammunition for firearms*, are exempt from the levy of sales tax during said period.

D. SECTION-BY-SECTION ANALYSIS:

**Section 1** - Provides an exemption from the collection of sales tax for items of tangible personal property with a selling price of \$100.00 or less; provides an exemption period from 12:01 a.m., August 4, 2000, through midnight, August 10, 2000; provides exceptions to the exemption (Items of intangible personal property, including: alcoholic beverages, cigarettes, tobacco, tobacco products, firearms and antique firearms [as defined in s. 790.001, F.S.], and ammunition for firearms, would still be subject to sales tax); and provides rulemaking authority for the Department of Revenue to carry out the provisions of this bill.

**Section 2** - Provides an effective date of upon becoming a law.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

The OLS' Economic & Demographic Research unit estimates a negative fiscal impact on state sales tax revenues approaching \$340 million in August, 2000. They note that approximately 50% to 53% of sales subject to sales tax are of items with a selling price of \$100.00 or less.

2. Expenditures:

It is likely that there are activities such as the dissemination to the public of the parameters of this tax exemption, developing rules related to this bill, and disseminating such rules to firms, which would be affected by this bill. The extent of such expenditures is unknown, but the Department of Revenue (DOR) estimates their costs to be approximately \$250,000.

It is possible that expenditures may be slightly offset by reductions in enforcement activities related to tax exempt sales, but inasmuch as monthly tax returns will be filed for August, in spite of the sales tax holiday, the DOR believes the offset will be negligible.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

Neither the OLS or the Revenue Estimating Conference has developed an estimate for the local impact yet, but for 1999 Local Government Optional Sales Taxes was approximately 5.73% of State Sales Tax. If this percentage is applied to the \$340 million estimated fiscal impact for the 2000 sales tax holiday, the negative impact on local revenues is approximately \$19.48 million.

2. Expenditures:

It is unlikely this bill materially impacts local government expenditures, as the state has assumed the bulk of related costs for the previous two sales tax holidays.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

News reports and anecdotal reports to industry groups (such as the Florida Retail Federation) and tax watchers (such as Florida Taxwatch) related to previous years' sales tax "holidays" indicate that retailers perceived increased sales during those periods the exemptions from sales tax applied.

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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:

This bill does not reduce permanent authority that counties or municipalities have to raise revenues, but does reduce counties' and municipalities' ability to raise sales taxes during the specified sales tax holiday period.

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

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

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

This bill reduces the amount of sales tax collected by local governments, but not the percentage shared with the state. The aggregate revenues affected at the local level for the designated sales tax holiday are estimated to be between \$19 million and \$20 million. If the sales tax holiday is considered to be a reduction in **authority to raise revenues in the aggregate**, this provision may be considered a local mandate. There are no substantive constitutional exceptions to the mandate criteria for this type of mandate.

B. RULE-MAKING AUTHORITY:

Experience with similar statutory provisions has shown that the Department of Revenue will need rulemaking authority in order to deal with specific definitions and applications of the bill. This bill specifically authorizes the Department of Revenue to adopt rules to carry out the provisions of this bill.

C. OTHER COMMENTS:

The Florida Retail Federation reports that state retailers support this bill, but would benefit most if the sales tax holiday period was scheduled for the first week in August.

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VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

None.

VII. SIGNATURES:

COMMITTEE ON GOVERNMENTAL OPERATIONS:

Prepared by:

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