

# SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

BILL: CS/SB 176

SPONSOR: Finance and Taxation Committee and Senator Cowin

SUBJECT: Sales Tax Exemption for Guide Dogs for the Hearing Impaired and Disabled

DATE: April 10, 2003      REVISED: \_\_\_\_\_

|    | ANALYST        | STAFF DIRECTOR  | REFERENCE | ACTION              |
|----|----------------|-----------------|-----------|---------------------|
| 1. | <u>Keating</u> | <u>Johansen</u> | <u>FT</u> | <u>Favorable/CS</u> |
| 2. | _____          | _____           | <u>AP</u> | _____               |
| 3. | _____          | _____           | _____     | _____               |
| 4. | _____          | _____           | _____     | _____               |
| 5. | _____          | _____           | _____     | _____               |
| 6. | _____          | _____           | _____     | _____               |

**I. Summary:**

The bill amends s. 212.08(7)(h), F.S., adding to the exemption for the sale or rental of guide dogs for the blind, guide dogs for the deaf, also know as “hearing-ear dogs” and guide dogs for paraplegics, quadriplegics, or persons with epilepsy or seizure disorders. The bill also exempts the sale of food or other items for such guide dogs.

This bill substantially amends, creates, or repeals the following sections of the Florida Statutes: 212.08.

**II. Present Situation:**

*Sales Tax*

Florida’s six percent sales and use tax as provided in chapter 212, F.S., is not a single levy, but is composed of a number of different levies on a variety of transactions. A “use” tax is imposed on items not sold, but used in Florida. The various levies of sales and use tax are:

- **Transient rental** (s. 212.03, F.S.): Establishes a taxable privilege for lease or rental of hotels, motels, and apartments for periods of less than six months.
- **Lease or rental of or license in real property** (s. 212.031, F.S.): Establishes a taxable privilege for engaging in the business of renting, leasing, letting, or granting a license for the use of any real commercial property.
- **Admissions** (s. 212.04, F.S.): Establishes a taxable privilege for selling or receiving anything of value by way of admissions.

- **Sale of tangible personal property** (s. 212.05(1)(a), F.S.): Establishes a taxable privilege for the sale of items or articles of tangible personal property.
- **Use of tangible personal property** (s. 212.05(1)(b), F.S.): Establishes a taxable privilege on items or articles of tangible personal property which are not sold but are used, consumed, distributed, or stored for use or consumption in Florida. The tax is based on the “cost price” of the article, which is a calculation of the cost of an item including materials, labor, service costs, transportation and any other expenses.
- **Lease or rental of tangible personal property** (s. 212.05(1)(c), F.S.): Establishes a taxable privilege for the lease or rental of tangible personal property.
- **Prepaid calling arrangements, installation of telecommunication and telegraphic equipment and electricity** (s. 212.05(1)(e), F.S.): Establishes a taxable privilege for the sale at retail of prepaid calling arrangements and charges for the installation of telecommunication and telegraphic equipment and charges for electrical power or energy. The rate for electrical power or energy is 7 percent. (Effective October 1, 2001, telecommunications were no longer taxable under chapter 212, but became taxable under chapter 202, as the “Communications Services Tax” at a rate of 6.8%)
- **Coin-operated amusement machines** (s. 2312.05(1)(i), F.S.): Establishes a taxable privilege for coin-operated amusement machine charges at the rate of 4 percent.
- **Certain services** (s. 212.05(1)(j), F.S.): Establishes a taxable privilege for the sale of detective, burglar protection, and other protective services and for the sale of nonresidential cleaning and nonresidential pest control services.
- **Service Warranties** (s. 212.0506, F.S.) Establishes a taxable privilege on every person who engages in the business of soliciting, offering, providing, entering into, issuing, or delivering any service warranty. “Service warranty” means any contract or agreement which indemnifies the holder of the contract or agreement for the cost of maintaining, repairing, or replacing tangible personal property.

Aside from the services mentioned above, services are not directly subject to Florida’s sales and use tax. This lack of tax on most services is not due solely to exemptions from the tax, but from the fact that the services are not specified as taxable. In addition, s. 212.08(7)(v), F.S., exempts personal, professional, and financial services when provision of such services involves inconsequential elements of tangible personal property such as documents representing the service provided. Numerous other services, however, are taxed such as repair and maintenance services that also involve the sale of tangible personal property.

Section 212.08, F.S., provides for specific exemptions from the sales and use tax imposed by this chapter. The statutes currently provide more than 200 non-service exemptions. Exemptions generally take the form of identifying specifically exempt items, exempting items when used for particular purposes, and exempting purchases or sales by certain types of organizations, such as the government, churches, and charitable organizations. Section 212.08(7), F.S., provides for

over 50 miscellaneous exemptions. Paragraph (h) of subsection (7) of section 212.08, F.S., exempts the sale or rental of guide dogs for the blind, also known as “seeing-eye dogs” and the sale of food or other items for such guide dogs. This sales tax exemption has an insignificant revenue impact.

### ***Local Discretionary Sales Surtaxes***

Local governments are authorized to levy numerous types of local discretionary sales surtaxes pursuant to s. 212.055, F.S. Under the provisions of s. 212.054, F.S., the local discretionary sales surtaxes apply to all transactions “subject to the state tax imposed on sales, use, services, rentals, admissions, and other transactions” by chapter 212, F.S. and on communications services by chapter 202, F.S. The surtax is computed by multiplying the rate imposed by the county where the sale occurs by the amount of the taxable sale. The sales amount is not subject to tax if the property or service is delivered within a county that does not impose a surtax. In addition, the surtax does not apply to any sales amount above \$5,000 on any item of tangible personal property. This \$5,000 cap does not apply to the sale of any service. As of January 2003, 59 counties levied at least one discretionary sales surtax, with 8 counties levying two.

Section 413.081(5)(b), F.S., defines “service animal” to mean an animal that is trained for the purposes of assisting or accommodating a disabled person’s sensory, mental, or physical disability.

### **III. Effect of Proposed Changes:**

The bill amends s. 212.08(7)(h), F.S., adding to the exemption for the sale or rental of guide dogs for the blind, guide dogs for the deaf, also know as “hearing-ear dogs” and guide dogs for paraplegics, quadriplegics, or persons with epilepsy or seizure disorders. The bill also exempts the sale of food or other items for guide dogs for the deaf and guide dogs for paraplegics, quadriplegics, or persons with epilepsy or seizure disorders.

The Department of Revenue must issue a consumer’s certificate of exemption, without charge, to any person who is medically certified as being deaf or hearing impaired and who either owns or rents, or contemplates the ownership or rental of, a guide dog for the deaf. The department must also issue a consumer’s certificate of exemption, without charge, to any paraplegic, quadriplegic, or any person who is medically certified as having epilepsy or a seizure disorder and who either owns or rents, or contemplates the ownership or rental of, a service animal as defined in s. 413.081.

The bill takes effect July 1, 2003.

### **IV. Constitutional Issues:**

#### **A. Municipality/County Mandates Restrictions:**

None.

**B. Public Records/Open Meetings Issues:**

None.

**C. Trust Funds Restrictions:**

None.

**V. Economic Impact and Fiscal Note:****A. Tax/Fee Issues:**

The bill provides a sales tax exemption for the sale or rental of guide dogs for the deaf and guide dogs trained to assist paraplegics, quadriplegics, and persons with epilepsy or seizure disorders. The bill also exempts the sale of food or other items for such guide dogs. The Revenue Estimating Conference estimates the fiscal impact of this exemption to be a recurring loss to the General Revenue Fund of (\$0.1) million.

**B. Private Sector Impact:**

Deaf persons renting or buying “hearing-ear dogs” or paraplegics, quadriplegics, and persons with epilepsy or seizure disorders will not have to pay sales tax on such purchase or rental and will not have to pay sales tax on the sale of food or other items related to such guide dogs.

**C. Government Sector Impact:**

The Department of Revenue will have to issue a consumer’s certificate of exemption, free of charge, to any person who is medically certified as being deaf or hearing-impaired or to any paraplegic, quadriplegic, or any person who is medically certified as having epilepsy or a seizure disorder.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Amendments:**

None.