

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: SB 2540
 SPONSOR: Senator Siplin
 SUBJECT: Sales Tax/Machinery and Equipment
 DATE: March 19, 2004 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Krasovsky</u>	<u>Krasovsky</u>	<u>MS</u>	<u>Favorable</u>
2.	_____	_____	<u>CM</u>	_____
3.	_____	_____	<u>FT</u>	_____
4.	_____	_____	<u>AGG</u>	_____
5.	_____	_____	<u>AP</u>	_____
6.	_____	_____	_____	_____

I. Summary:

This bill removes the \$50,000 threshold a business must meet on a calendar year basis before it can claim the sales tax exemption for industrial machinery and equipment purchased for exclusive use by an expanding facility which is engaged in spaceport activities or for use in expanding manufacturing activities where the business can show an increase in production by at least 10%.

This bill amends section 212.08(5)(b) of the Florida Statutes.

II. Present Situation:

Chapter 212, F.S., contains the state’s statutory provisions authorizing the levying and collection of taxes on sales, use, and other transactions. This chapter also contains provisions for the exemptions and credits of taxes for certain items and under certain circumstances.

Industrial machinery and equipment purchased for the exclusive use by a new business in spaceport activities as defined in s. 212.02 or for the use in new businesses which manufacture, process, compound, or produce for sale, items of tangible property at fixed locations are exempt from the tax imposed by ch. 212. An exemption under this section can only be taken when the business can provide documentation to the Department of Revenue (DOR) that such items are used in the state. A business must purchase the machinery or equipment prior to the date the business first begins its productive operations, and the delivery of the purchased item must be made within 12 months of that date.

To receive an exemption, a qualifying business must apply to DOR for a temporary tax exemption permit.¹ A business must maintain all books and records to support the exemption. DOR, upon an audit which determines that the business does not meet the criteria for the exemption, shall immediately collect from the business the amount of taxes exempted plus interest and any penalty.²

The same type of sales tax exemption is provided for industrial machinery and equipment used exclusively by an expanding facility which is engaged in spaceport activities or for use in expanding manufacturing facilities or plant units which manufacture, process, compound, or produce for sale items of tangible personal property at fixed locations in this state. In this case, however, a statutory threshold of \$50,000 per calendar year must be met before the expanding company can claim the sales tax exemption.

III. Effect of Proposed Changes:

This bill removes the \$50,000 threshold a business must meet on a calendar year basis before it can claim the sales tax exemption for industrial machinery and equipment purchased for exclusive use by an expanding facility which is engaged in spaceport activities or for use in other specified expanding manufacturing activities where the business can show an increase in production by at least 10%.

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:

None.

¹ See s. 212.08(5)(b)3.a, F.S.

² See s. 212.08(5)(b)3a.-c., F.S.

B. Private Sector Impact:

Businesses purchasing manufacturing machinery and equipment for the purpose of expanding operations and increasing production outputs could have a significant, but indeterminate, positive fiscal impact.

C. Government Sector Impact:

An impact study has been recently completed by the Revenue Estimating Conference. That study found that the deletion of the \$50,000 threshold would result in an annualized loss to the state of \$32.2 million for FY 2004-05.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.
