

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.)

Prepared By: Government Efficiency Appropriations Committee

BILL: CS/CS/SB 1462 & 648

SPONSOR: Government Efficiency Appropriations Committee, Domestic Security Committee and Senators Baker and Campbell

SUBJECT: Sales Tax/Hurricane Preparedness

DATE: April 21, 2005

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Pardue</u>	<u>Skelton</u>	<u>DS</u>	<u>Fav/Combined CS</u>
2.	<u>Keating</u>	<u>Johansen</u>	<u>GE</u>	<u>Fav/CS</u>
3.	_____	_____	<u>WM</u>	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

I. Summary:

This bill provides for a sales tax exemption for the purchase of items of tangible personal property typically associated with hurricane preparedness. In addition, the bill provides for a sales tax exemption for the purchase of certain items used to protect a residence or business from possible damage resulting from a hurricane or tropical storm. This bill specifies a period of tax exemption from June 1 through June 12, 2005 and provides for an appropriation for program administration.

II. Present Situation:

Pursuant to chapter 212, F. S., the State of Florida levies a 6 percent sales and use tax on most sales of tangible personal property and a limited number of services. 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 54 miscellaneous exemptions.

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 transaction" by chapter 212, F.S. and on communications services by chapter 202, F.S. 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 March, 2005, 58 counties levied at least one discretionary sales surtax with 10 counties levying two.

The Florida Office of Insurance Regulation estimated the expected gross loss for the four major hurricanes that struck Florida in 2004 to be \$21.5 billion.¹ While it is impossible to estimate how much additional damage was averted by citizens' hurricane preparations during the 2004 hurricane season, the Division of Emergency Management routinely recommends procuring materials to protect structures and for use in making emergency repairs. The division also recommends having such items as portable radios, flashlights, sufficient batteries to power them for two weeks, first aid kits, and containers for drinking water on hand for storm events.

The 2004 hurricane season also had a significant impact on state revenue collections. The General Revenue Consensus Estimating Conference estimated that spending on repair and replacement of property destroyed by the four hurricanes would result in \$752 million in additional revenue through June of 2006.²

III. Effect of Proposed Changes:

Section 1 establishes a tax exemption for specified items levied under chapter 212, F.S., during the period from June 1, 2005 through June 12, 2005. The specified items are:

- any portable, self-powered light source having a selling price of \$20 or less
- any portable self-powered radio, two-way radio, or weather-band radio having a selling price of \$50 or less
- any tarpaulin or flexible waterproof sheeting selling for \$50 or less
- any self-contained first-aid kit selling for \$30 or less
- any ground anchor system or tie-down kit selling for \$50 or less
- any gas or diesel fuel tank selling for \$25 or less
- any package of AA-cell, C-cell, D-cell, 6-volt, or 9-volt batteries, excluding automobile or boat batteries, selling for \$30 or less
- any non-electrical food-storage cooler selling for \$30 or less
- any portable generator selling for \$750 or less to be used to provide light, communications, or food preservation in the event of a power outage due to a hurricane or tropical storm

This bill authorizes the Department of Revenue to adopt rules under sections 120.536 (1) and 120.54, F.S.

Section 2 provides for an appropriation of \$221,400 from the General Revenue Fund to the Department of Revenue for administration of the tax exemption.

Section 3 provides that the bill shall take effect upon becoming law.

¹ Florida Office of Insurance Regulation, *Hurricane Reporting Summaries*, January 20, 2005.

² General Revenue Consensus Estimating Conference, *Final Results*, November 12, 2004.

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:

On April 22, 2005, the Revenue Estimating Impact Conference estimated the fiscal impact of CS/CS/SB 1462 & 648 for fiscal year 2005-2006 to be:

Issues	GR	TF	Local	Total
Hurricane Items, Including Generators	(7.9)	(*)	(1.7)	(9.6)

B. Private Sector Impact:

During the specified period, hurricane preparedness items can be purchased for 6 percent to 8.5 percent less depending on the local option tax rate. The timing of the tax-free period will allow Floridians to save money and be encouraged to prepare themselves prior to the usual heightened tropical storm/hurricane threat period.

C. Government Sector Impact:

The Department of Revenue may adopt rules under sections 120.536(1) and 120.54. Florida Statutes to carry out the provisions of this bill and is appropriated \$221,400 from the General Revenue Fund for administrative purposes.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Summary of Amendments:

None.

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