

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 643 Exemption from the Tax on Sales, Use, and Other Transactions for Farm Equipment
SPONSOR(S): Bowen and others
TIED BILLS: **IDEN./SIM. BILLS:**

| REFERENCE | ACTION | ANALYST | STAFF DIRECTOR |
|----------------------------|----------|----------------|----------------|
| 1) Finance & Tax Committee | 9 Y, 0 N | Diez-Arguelles | Diez-Arguelles |
| 2) Agriculture Committee | | Reese | Reese |
| 3) Fiscal Council | | | |
| 4) | | | |
| 5) | | | |

SUMMARY ANALYSIS

This bill eliminates the 2.5 percent sales tax that is imposed on purchases of self-propelled, power drawn or power driven farm equipment that is used exclusively in agricultural production on a farm or in forestry and fire prevention work. It also adds generators used on farms to the list of exempt equipment.

The Revenue Estimating Conference has determined that the bill will have a negative fiscal impact of \$4.1 million to state government and \$1.0 million to local government in FY 05-06, and \$9.7 million to state government and \$1.0 million to local government in FY 06-07.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Ensure lower taxes: The bill eliminates the sales tax imposed on certain farm equipment.

B. EFFECT OF PROPOSED CHANGES:

Section 212.08, F.S., provides for specific exemptions from the sales and use tax imposed by chapter 212, F.S. 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(3), F.S., provides a partial exemption for certain farm equipment.

Since 1963, the sale, rental, lease, use, consumption, or storage for use of self-propelled, power-drawn, or power-driven farm equipment used exclusively on a farm or in agricultural production has been partially exempt from sales tax.

This bill eliminates the 2.5 percent sales tax currently imposed on self-propelled, power-drawn, or power driven farm equipment. It also provides an exemption for generators used on farms.

C. SECTION DIRECTORY:

Section 1. Amends s. 212.08(3), F.S., to reduce from 2.5 percent to zero the sales tax on self-propelled, power-drawn, or power-driven farm equipment used exclusively on a farm or in a forest in the agricultural production of crops or products. It also exempts generators used on farms.

Section 2. Amends s. 212.12(11), F.S., to conform.

Section 3: Provides that this act shall take effect July, 1, 2005.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

| | <u>2005-06</u> | <u>2006-07</u> |
|-----------------|------------------------|------------------------|
| General Revenue | (8.5m) | (9.7m) |
| Trust | <u>(insignificant)</u> | <u>(insignificant)</u> |
| Total | (8.5m) | (9.7m) |

2. Expenditures:

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues: :

2005-06
(1.7m)

2006-07
(2.0m)

2. Expenditures:

None

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Persons purchasing certain farm equipment will no longer have to pay sales tax.

D. FISCAL COMMENTS:

None

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

This bill reduces the authority of counties to raise revenue through local option sales taxes. However, because the reduction is less than \$1.8 million, it is insignificant and is not considered a mandate under Article VII, Section 12 of the Florida Constitution.

2. Other:

2. Other:

B. RULE-MAKING AUTHORITY:

C. DRAFTING ISSUES OR OTHER COMMENTS:

IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES