

**HOUSE OF REPRESENTATIVES STAFF ANALYSIS**

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

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<b>REFERENCE</b>	<b>ACTION</b>	<b>ANALYST</b>	<b>STAFF DIRECTOR</b>
1) Finance & Tax Committee	9 Y, 0 N	Diez-Arguelles	Diez-Arguelles
2) Agriculture Committee	7 Y, 0 N, w/CS	Kaiser	Reese
3) Fiscal Council			
4)			
5)			

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**SUMMARY ANALYSIS**

This bill eliminates the 2.5 percent sales tax that is imposed on purchases of power farm equipment that is used exclusively in agricultural production on a farm or in forestry and fire prevention work.

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 power 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 power farm equipment.

#### C. SECTION DIRECTORY:

**Section 1.** Amends s. 212.02, F.S., deletes definitions for self-propelled, power drawn, and power driven farm equipment; creates definition for power farm equipment.

**Section 2.** 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 3.** Amends s. 212.12(11), F.S., to conform.

**Section 4:** 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**

On March 16, 2005, the Committee on Agriculture adopted two amendments to HB 643. The first amendment clarifies that the sales tax exemption applies to "power farm equipment". It also restores current statutory language that was inadvertently deleted in the drafting process. The second amendment removes the current definitions for "self propelled", "power drawn" and "power driven" farm equipment and replaces them one definition for "power" farm equipment that encompasses all power equipment used in agricultural production.