

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: Domestic Security Committee

BILL: SB 648

SPONSOR: Senator Campbell

SUBJECT: Hurricane Preparedness/Sales Tax

DATE: March 24, 2005

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Pardue</u>	<u>Skelton</u>	<u>DS</u>	<u>Pre-meeting</u>
2.	_____	_____	<u>GE</u>	_____
3.	_____	_____	<u>TA</u>	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

I. Summary:

This bill provides for a sales tax exemption for the purchase of tangible personal property items used for advanced preparation to secure a residence or business from possible damage due to a hurricane or tropical storm. The bill also provides for a sales tax exemption for the purchase of self-powered lighting sources, portable radios, power supplies for lighting sources and portable radios, and portable generators. The effective period of exemption is from June 1 through June 12, 2005.

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' windows and doors 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:

This bill 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:

- up to 20 sheets of plywood per day
- hardware used to attach plywood to a structure
- any portable, self-powered light source and energy supply having a selling price of \$100 or less
- any portable radio and power supply having a selling price of \$100 or less
- any other tangible personal property selling for \$100 or less which is related to advance preparations to secure a business or residence from possible damage due to a hurricane or tropical storm
- any portable generator selling for \$500 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

The bill authorizes the Department of Revenue to adopt rules under sections 120.536 (1) and 120.54, Florida Statutes, to administer the tax exemption.

The bill does not provide for an appropriation to administer the tax exemption.

This bill provides for an effective date 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:

This bill falls under subsection (b) of s. 18 of Art. VII, Florida Constitution. Subsection (b) requires a two-thirds vote of the membership of each chamber in order to enact a general law reducing the authority that municipalities and counties had on February 1, 1989, to raise revenues in the aggregate. By adding an exemption to the state sales tax, the bill has the effect of adding an exemption to the local option county sales surtax. Since the annual local revenue loss is estimated to be \$7.9 million, this bill will not be exempt from the requirements of subsection (b).

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

The Revenue Estimating Impact Conference estimates the 2005-2006 fiscal year revenue loss as a result of this bill to total \$45.7 million.³

Fiscal Year 2005-2006

Issue	GR	TF	Local	Total
Hurricane Items Including Generators	(37.7)	(.1)	(7.9)	(45.7)

B. Private Sector Impact:

During the specified period, hurricane preparedness items can be purchased for 6 percent to 7.5 percent less depending on the local option tax rate. Given the timing of the tax-free period, Floridians will be able to save money prior to the usual heightened tropical storm/hurricane threat period, on plywood and attaching hardware, self-powered lighting sources, portable radios, power supplies for lighting sources and portable radios, other tangible personal property related to advance preparation for securing a business or residence from possible hurricane or tropical storms, and portable generators.

³ Revenue Estimating Conference, *Impact Conference Results*, Updated through March 18, 2005.

C. Government Sector Impact:

The Department of Revenue may adopt rules under sections 120.536(1) and 120.54, Florida Statutes, to administer this exemption.

VI. Technical Deficiencies:

The bill provides for an exemption period from June 1 through June 12, 2005 but does not provide a specific start and end time on those dates.

VII. Related Issues:

None.

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

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.
