HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 89 Documentary Stamp Tax on Promissory or Nonnegotiable Notes and Written Obligations to Pay Money

SPONSOR(S): Evers

TIED BILLS: **IDEN./SIM. BILLS:** SB 556

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Agriculture Committee	10 Y, 0 N	Kaiser	Reese
2) Finance & Tax Committee	9 Y, 0 N	Levin	Diez-Arguelles
3) Civil Justice Committee	(W/D)		
4) State Resources Council		Kaiser	Hamby
5)			

SUMMARY ANALYSIS

HB 89 exempts agricultural producers in the state from paying documentary stamp tax on notes or debt obligations and related security instruments issued through the federal Commodity Credit Corporation (CCC). The CCC is a federal corporation within the United States Department of Agriculture that was created to stabilize, support and protect farm income and prices and to help maintain a balanced and adequate supply of agricultural commodities.

The Revenue Estimating Conference determined that this documentary stamp exemption would result in a loss of $300,000 in general revenue and $200,000 in state trust fund revenues for FY 2005-06 and FY 2006-07.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Ensure lower taxes: The bill exempts agriculture producers of certain commodities in the state from paying documentary stamp tax on notes or debt obligations and related security instruments issued through the Commodity Credit Corporation (CCC).

B. EFFECT OF PROPOSED CHANGES:

The Commodity Credit Corporation (CCC) is a federal corporation within the United States Department of Agriculture that was created in 1933 to stabilize, support and protect farm income and prices and to help maintain a balanced and adequate supply of agricultural commodities. The CCC aids producers of crops, such as cotton, peanuts, sugar, corn, honey, soy, and wheat, who participate under the program through loans, purchases and payment programs. If the producer does not redeem the commodity by loan repayment time, the CCC takes title and possession, without recourse. This means that the producers have the option of either repaying the principal and interest or forfeiting the commodity to the CCC in full settlement of the loan.

Section 201.08, F.S., currently requires that a tax be paid on promissory notes, nonnegotiable notes, and written obligations at the rate of 35 cents on each $100 or fraction thereof, with a maximum of $2,450 per document. (An identical tax is due on mortgages or other security instruments except that there is no cap.) If there is both a debt instrument and a security instrument, the tax must be paid on the security instrument with a notation being made on the debt instrument to that effect. The only exclusion is for debts on student loans. Accordingly, CCC loans are taxed in the same manner as all other loans.

HB 89 exempts agriculture producers in the state from paying documentary stamp tax on notes or debt obligations and related security instruments to the CCC.

C. SECTION DIRECTORY:

Section 1: Amends s. 201.08, F.S., exempting agriculture producers from paying documentary stamp tax on notes or debt obligations and related security instruments issued through the Community Credit Corporation.

Section 2: Providing an effective date of upon becoming law.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

	FY 2005-2006	FY 2006-2007
General Revenue	($0.3 m)	($0.3 m)
Trust Funds	($0.2 m)	($0.2 m)
Total State Impact	($0.5 m)	($0.5 m)

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B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

   None

2. Expenditures:

   None

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Agricultural producers that obtain CCC loans would benefit from the tax exemption on these transactions.

D. FISCAL COMMENTS:

For the five year period ending in 2004, data from the Farm Service Agency, which administers the CCC loans, shows that 4,308 CCC loans were made totaling $613.8 million, which had a tax impact of $2,148,300. A 2004 loan summary county report prepared by the Farm Service Agency shows that loans for 2004 were made to the following producers:

Commodity	Number of Loans	Amount of Loans	Documentary Stamp Tax Paid
Peanut	1181	$55,263,394	$193,422
Upland cotton	48	786,254	2,752
Honey	12	120,657	422
Sugar cane	9	79,297,000	277,540
Soy	9	224,781	786
Corn	3	34,408	120
Wheat	3	86,138	301
Total	1,265	$135,812,632	$475,343

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

   None

2. Other:

   None

B. RULE-MAKING AUTHORITY:

None

C. DRAFTING ISSUES OR OTHER COMMENTS:

None

IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES