

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Ensure lower taxes: This bill eliminates the sales tax paid on the purchase of required or recommended textbooks and textbook supplements by full-time and part-time postsecondary students for courses at an institution of higher education.

B. EFFECT OF PROPOSED CHANGES:

Present Situation

Chapter 212, F.S., contains the statutory provisions authorizing the levying and collection of taxes on sales, use, and other transactions. This chapter also contains provisions for sales and use tax exemptions and credits applicable to certain items and under certain circumstances. At present, all textbooks and textbook supplements purchased by postsecondary students for their courses are subject to the 6 percent statewide sales and use tax and the local option sales taxes imposed under chapter 212, F.S.

Currently, s. 212.08(7)(r), F.S., provides a tax exemption for school books purchased for students enrolled in both public and private K-12 schools, but not for school books purchased by postsecondary students.

From 1998-2001 and in 2004, the Florida Legislature provided tax relief and exemptions for certain back-to-school related expenditures. These exemptions have been provided for items sold for \$100 or less or \$50 or less, and only during a specific time period immediately prior to the beginning of a school year, usually in early to mid-August.

Several states have implemented sales and use tax exemptions for college textbooks in recent years. In the state of New York, the exemption was signed into law in June 1998.

Effect of Proposed Changes

This bill amends s. 212.08(7), F.S., to provide a sales tax exemption for textbooks purchased by full-time and part-time postsecondary students that are required or recommended for courses at an institution of higher education. The bill defines textbooks as only those books and textbook supplements specifically written, designed, or produced for educational, instructional, or pedagogical purposes. The bill also defines institutions of higher education as those recognized and approved by the Department of Education (DOE), or those accredited by a nationally recognized accrediting agency or association accepted as such by the DOE, that provide a course of study leading to the granting of a postsecondary degree, certificate, or diploma. In addition, the bill requires a student to present a valid student identification card at the time of purchase in order to receive the exemption. There is no per-item price limit to this exemption.

Under existing law, the Department of Revenue (DOR) may adopt rules to administer the exemption proposed by this bill.

C. SECTION DIRECTORY:

Section 1. Creates s. 212.08(7)(ccc), F.S., adding the exemption for textbooks to the items listed as miscellaneous exemptions. Amends s. 212.08(7)(r), F.S., making a distinction between taxable and non-taxable books sold at community colleges and other institutions of higher learning.

Section 2. Provides that this act shall take effect July 1, 2005.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

The Revenue Estimating Conference has estimated that this bill will have the following fiscal impact on state government:

	<u>2005-2006</u>	<u>2006-2007</u>
General Revenue	(\$22.1m)	(\$23.0m)
Trust	<u>(\$0.1m)</u>	<u>(\$0.1m)</u>
Total	(\$22.2m)	(\$23.1m)

2. Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

The Revenue Estimating Conference has estimated that this bill will have the following fiscal impact on local governments:

	<u>2005-2006</u>	<u>2006-2007</u>
Revenue Sharing	(\$0.7m)	(\$0.7m)
Local Gov't. Half Cent	(\$2.0m)	(\$2.0m)
Local Option	<u>(\$2.0m)</u>	<u>(\$2.0m)</u>
Total Local Impact	(\$4.7m)	(\$4.7m)

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Students purchasing tax exempt textbooks and textbook supplements will pay less for these items. Retailers may incur costs associated with reprogramming cash registers and/or computer accounting systems.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

The mandates provision applies to this bill because it reduces the authority that cities and counties have to raise revenues, in the aggregate, by the imposition of local option sales taxes. The bill does not qualify for an exemption or exception, accordingly the bill must have a two-thirds vote of the membership of each house for passage.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

The DOE neither recognizes nor provides oversight to all institutions of higher education in Florida. Many private postsecondary institutions in the state operate independently or under the jurisdiction of other agencies or entities.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES

On April 15, 2005, the Finance and Tax Committee adopted one amendment to the bill. The amendment provides that the sales tax exemption only applies to textbooks purchased by full-time and part-time postsecondary students that are required or recommended for courses at an institution of higher education. The amendment defines textbooks as only those books and textbook supplements specifically written, designed, or produced for educational, instructional, or pedagogical purposes. In addition, the amendment amended s. 212.08(7)(r), F.S., to make a distinction between taxable and non-taxable books sold at community colleges and other institutions of higher learning.