

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: Education Committee

BILL: SB 1554

INTRODUCER: Senator Haridopolos

SUBJECT: Sales Tax Exemption/Textbooks

DATE: February 22, 2006

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Carrouth</u>	<u>Matthews</u>	<u>ED</u>	Favorable
2.	_____	_____	<u>GE</u>	_____
3.	_____	_____	<u>WM</u>	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

I. Summary:

This bill amends s. 212.08, F.S., to provide a sales tax exemption for textbooks and ancillary textbook supplements designed specifically for pedagogical purposes and required for coursework for postsecondary students. The bill also defines institutions of higher education as those being recognized and approved by the Department of Education or those institutions accredited by a nationally recognized accrediting association accepted by the department. A postsecondary student must present valid student identification at the time of purchase.

This bill amends the following section of Florida Statute: 212.08.

II. Present Situation:

Section 212.05, F.S., provides for a sales tax to be imposed on the retail sale, storage, or use of tangible personal property. Currently, s. 212.08(7)(r), F.S., provides a sales tax exemption for schoolbooks purchased for students enrolled in both public and private K-12 schools, but not schoolbooks purchased by postsecondary students.

The Legislature has provided tax relief and exemptions for the past several years on certain back-to-school related expenditures (1998-2001 and 2004-2005). These exemptions have been provided on certain items of \$100 or less and only during a specific time period immediately prior to the start of school, usually in early to mid-August.

The Revenue Estimating Conference projected that state revenues totaling \$22.2 million and local revenues totaling \$4.7 million were expected in sales tax revenue on the sale of college-level textbooks during fiscal year 2005-2006.

III. Effect of Proposed Changes:

This bill amends s. 212.08(7), F.S., and adds a sales tax exemption on textbooks and textbook supplements required for courses by both full and part-time postsecondary students enrolled at institutions of higher education. The bill also amends s. 212.08(7)(r), F.S., to provide the tax exemption to high school students who are dually enrolled and engaged in postsecondary coursework.

Tax-free holidays enacted by the Legislature over the past several years have included purchases of certain items with a value of less than \$100. The majority of undergraduate-level college textbooks and most, if not all, graduate level texts would exceed this price limit.

The bill defines a textbook as only those textbooks and textbook supplements specifically written, designed, or produced for educational, instructional, or pedagogical purposes. This would eliminate items such as novels and magazines from eligible tax exempt expenditures.

The bill requires the student to present a valid identification card at the time of textbook purchase to receive the tax exemption.

The bill defines an institution of higher education as a postsecondary institution recognized and approved by the Department of Education or accredited by a nationally recognized accrediting agency. The Department of Education does not recognize or approve nor does it provide oversight to all institutions of higher education in the state.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

The bill does not reduce the authority of local counties and municipalities to raise revenue. Therefore, the provisions of this bill are not applicable to Article 7, Section 18, of the State Constitution, which addresses local mandates and laws requiring counties and municipalities to spend funds or to limit their ability to raise revenue.

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 Conference has projected that this bill will have a fiscal impact in loss of tax revenue of \$23.1 million to state government and \$4.7 million to local governments in FY 2006-2007.

B. Private Sector Impact:

Retailers may incur costs associated with reprogramming cash registers or computer accounting systems.

C. Government Sector Impact:

The Department of Revenue estimates that current resources will be sufficient to cover costs associated with implementing this tax exemption.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

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