

# 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.)

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Prepared By: Government Efficiency Appropriations Committee

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BILL: CS/SB 2410

INTRODUCER: Government Efficiency Appropriations Committee and Senator Atwater

SUBJECT: Tax Exemption/Agricultural

DATE: April 18, 2006

REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Weidenbenner</u>	<u>Poole</u>	<u>AG</u>	<b>Favorable</b>
2.	<u>Baum</u>	<u>Kiger</u>	<u>EP</u>	<b>Favorable</b>
3.	<u>Keating</u>	<u>Johansen</u>	<u>GE</u>	<b>Fav/CS</b>
4.	_____	_____	<u>WM</u>	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

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## I. Summary:

This bill provides that low volume irrigation or microirrigation equipment is exempt from sales and use tax when used in agriculture and provides for a definition of such equipment.

This bill substantially amends sections 212.08(5)(a) and 212.02 of the Florida Statutes.

## II. Present Situation:

Pursuant to ch. 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(3), F.S., provides a sales and use tax exemption for “power farm equipment,” including generators and power units used on a farm or in a forest in the agricultural production of crops or products.

Section 212.08(5)(e), F.S., provides a sales and use tax exemption for butane gas, propane gas, natural gas, and all other forms of liquefied petroleum gas used in any tractor, vehicle, or other farm equipment that is used exclusively on a farm for processing farm products on the farm.

Section 212.08(5)(a), F.S., provides a specific exemption from sales and use tax for items in agricultural use. Among these tax-exempt items are generators used on poultry farms and

liquefied petroleum gas or other fuel used to heat a structure in which started pullets or broilers are raised. Generators used on poultry farms are also exempt under s. 212.08(3), F.S., and liquefied petroleum gas or other fuel used to heat a structure in which started pullets or broilers are raised is also exempt under s. 212.08(5), F.S.

Local governments are authorized to levy several types of local discretionary sales surtaxes pursuant to s. 212.055, F.S. The maximum they may levy in total is 2.5 percent. 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 ch. 212, F.S. and on communications services by ch. 202, F.S. 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 December 2005, 58 counties levied at least one discretionary sales surtax and 13 counties levied at least two.<sup>1</sup>

Section 212.02, F.S., provides definitions for chapter 212, F.S.

### III. Effect of Proposed Changes:

**Section 1** amends s. 212.02, F.S., to add subsection (33) which defines “low-volume irrigation or microirrigation” to mean frequent application of small quantities of water through emitters placed along delivery pipes. The physical components of low volume irrigation or microirrigation systems include equipment and system components.

**Section 2** amends s. 212.08(5)(a), F.S., to exempt low-volume irrigation or microirrigation equipment or components used in agricultural production from sales and use tax. It also removes the duplicative exemptions for generators used on a poultry farm and liquefied fuel used to heat certain poultry structures.

**Section 3** provides that this act shall take effect July 1, 2006.

### IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

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<sup>1</sup> Florida Legislative Committee on Intergovernmental Relations, *2006 Local Discretionary Sales Surtax Rates in Florida's Counties*.

**V. Economic Impact and Fiscal Note:**

A. Tax/Fee Issues:

On March 3, 2006, the 2006 Revenue Estimating Conference projected that the exemption from sales and use tax for low volume irrigation or microirrigation equipment used for agricultural purposes would result in a loss of General Revenue of \$2.9 million in fiscal year 2006-07 and \$3.2 million on a recurring basis.

**Fiscal Year 2006-07  
(Millions)**

General Revenue		State Trust		Local		Total	
Cash	Recurr.	Cash	Recurr.	Cash	Recurr.	Cash	Recurr.
(2.9)	(3.2)	(*)	(*)	(0.7)	(0.7)	(3.6)	(3.9)

\* Insignificant

B. Private Sector Impact:

Purchasers of low volume irrigation or microirrigation equipment used for agricultural purposes will save an amount equal to the General Revenue loss shown above.

C. Government Sector Impact:

None.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.



## **VIII. Summary of Amendments:**

None.

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

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