

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 47 Hurricane Preparedness
SPONSOR(S): Greenstein and others
TIED BILLS: IDEN./SIM. BILLS: SB 24

Table with 4 columns: REFERENCE, ACTION, ANALYST, STAFF DIRECTOR. Row 1: Finance & Tax Committee, Noriega, Diez-Arguelles.

SUMMARY ANALYSIS

This bill provides that no sales tax will be collected between June 1, 2006 and June 12, 2006 on:

- (1) any portable self-powered light source selling for \$20 or less;
(2) any portable self-powered radio, two-way radio, or weatherband radio selling for \$50 or less;
(3) any tarpaulin or other flexible waterproof sheeting selling for \$50 or less;
(4) any self-contained first-aid kit selling for \$30 or less;
(5) any ground anchor system or tie-down kit selling for \$50 or less;
(6) any gas or diesel fuel tank selling for \$25 or less;
(7) any package of AAA-cell, AA-cell, C-cell, D-cell, 6-volt, or 9-volt batteries, excluding automobile and boat batteries, selling for \$30 or less;
(8) any cell phone battery selling for \$60 or less and any cell phone charger selling for \$40 or less;
(9) any nonelectric food storage cooler selling for \$30 or less;
(10) any portable generator used to provide light or communications or preserve food in the event of a power outage selling for \$1,000 or less; and
(11) any building materials, consisting of plywood and hardware used to secure plywood to a structure, selling for \$300 or less.

This bill also provides that building materials purchased by a construction company, building contractor, or commercial business or entity are not eligible for this exemption. Also, any construction company, building contractor, commercial business or entity that purchases or attempts to purchase building materials exempted by this bill commits an unfair method of competition in violation of s. 501.204, F.S., punishable as provided in s. 501.2075, F.S.

In addition, this bill provides that purchases that are eligible for the exemption may not be made using a business or company credit or debit card or check.

This bill grants rule-making authority to the Department of Revenue and appropriates \$221,400 from the General Revenue Fund to administer this sales tax holiday.

The fiscal impact of this bill is estimated to be a negative \$27.2 million in state revenues, and a negative \$6.1 million in local revenues during FY 2006-2007.

This bill appears to be a mandate. Therefore, it should have a 2/3 vote of the membership of each house.

This bill will become effective upon becoming a law.

This document does not reflect the intent or official position of the bill sponsor or House of Representatives.

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## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

#### A. HOUSE PRINCIPLES ANALYSIS:

Ensure lower taxes:

This bill creates a 12-day sales tax holiday on certain supplies purchased in Florida to prepare for hurricane season.

#### B. EFFECT OF PROPOSED CHANGES:

Ch. 212, F.S., imposes a state sales tax on the sale of tangible personal property and authorizes local option taxes on such sales. This bill provides that no sales tax will be collected between June 1, 2006 and June 12, 2006 on: (1) any portable self-powered light source selling for \$20 or less; (2) any portable self-powered radio, two-way radio, or weatherband radio selling for \$50 or less; (3) any tarpaulin or other flexible waterproof sheeting selling for \$50 or less; (4) any self-contained first-aid kit selling for \$30 or less; (5) any ground anchor system or tie-down kit selling for \$50 or less; (6) any gas or diesel fuel tank selling for \$25 or less; (7) any package of AAA-cell, AA-cell, C-cell, D-cell, 6-volt, or 9-volt batteries, excluding automobile and boat batteries, selling for \$30 or less; (8) any cell phone battery selling for \$60 or less and any cell phone charger selling for \$40 or less; (9) any nonelectric food storage cooler selling for \$30 or less; (10) any portable generator used to provide light or communications or preserve food in the event of a power outage selling for \$1,000 or less; and (11) any building materials, consisting of plywood and hardware used to secure plywood to a structure, selling for \$300 or less.

The bill also provides that building materials purchased by a construction company, building contractor, or commercial business or entity; or purchases made using a business or company credit or debit card or check are not eligible for the exemption. In addition, any construction company, building contractor, or commercial business or entity that purchases or attempts to purchase building materials exempt as provided by this bill commits an unfair method of competition in violation of s. 501.204, F.S., punishable as provided in s. 501.2075, F.S.

#### C. SECTION DIRECTORY:

Section 1.

Subsection 1. Provides a sales tax exemption for certain supplies purchased between June 1 and June 12, 2006, provides rule-making authority to the Department of Revenue, provides criteria for eligibility, acceptable methods of purchase, and penalties.

Subsection 2. Provides that the Department of Revenue may adopt rules to carry out this sales tax holiday.

Section 2. Appropriates \$221,400 from the General Revenue Fund to the Department of Revenue to administer this sales tax holiday.

Section 3. Provides that the act will become effective upon becoming a law.

### II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

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

	<u>FY 2006-2007</u>
General Revenue	(\$27.1m)
State Trust	(\$0.1m)
Total State Impact	<hr/> (\$27.2m)

2. Expenditures: The bill contains an appropriation of \$221,400 from the General Revenue Fund to implement the provisions of this bill.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

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

	<u>FY 2006-2007</u>
Revenue Sharing	(\$0.9m)
Local Gov't. Half Cent	(\$2.6m)
Local Option	(\$2.6m)
Total Local Impact	<hr/> (\$6.1m)

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Persons that purchase the items covered by this bill during the 12-day period may save money by not having to pay a sales tax. In addition, the availability of the sales tax exemption may prompt some consumers to purchase more of the items eligible for the exemption, thereby causing an increase in the number of sales by Florida retailers.

D. FISCAL COMMENTS:

None.

**III. COMMENTS**

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

This bill will reduce the authority of cities and counties to raise revenues in the aggregate through local option sales taxes by \$2.6 million, as estimated by the Revenue Estimating Conference. As such, the mandates provision appears to apply to this bill and it does not seem to qualify for an exemption. Therefore, the bill should have a 2/3 vote of the membership of each house.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

This bill gives the Department of Revenue authority to adopt rules concerning this tax holiday.

C. DRAFTING ISSUES OR OTHER COMMENTS:

The bill provides an exemption for "any self-contained first-aid kit selling for \$30 or less." First-aid kits, including those sold for more than \$30, are currently exempt as a common household remedy according to a list prescribed and approved by the Department of Health, pursuant to s. 212.08(2)(a), F.S. Since all first-aid kits are currently exempt, it is recommended that this item be removed from the list of items covered by this bill.

The bill also provides an exemption for building materials, consisting of plywood and hardware used to secure plywood to a structure, selling for \$300 or less. The specific hardware items covered by the exemption are not listed in the bill, but it appears that the intent is to include hurricane clips, nails, screws, and any other type of fastener that could be used to secure plywood to a structure. However, it is unclear whether the intent of the bill is to exempt:

- (1) A single, *bundled* sale of plywood and hardware *totaling* \$300 or less, or
- (2) A sale of individual units such as individual sheets of plywood, hurricane clips, nails, screws, and other types of fasteners at a cost of \$300 or less *per item*.

The bill appropriates \$221,400 from the General Revenue Fund to the Department of Revenue for purposes of administering the provisions of the law. However, the Department estimates that the costs of printing and mailing a Taxpayer Identification Publication by first class postage to the parties affected by the provisions of the bill is \$277,540.

#### IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES