

**HOUSE OF REPRESENTATIVES STAFF ANALYSIS**

**BILL #:** HB 507 CS Exemptions from the Tax on Sales, Use, and Other Transactions  
**SPONSOR(S):** Kreegel and others  
**TIED BILLS:** **IDEN./SIM. BILLS:** SB 2410

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REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Agriculture Committee	7 Y, 0 N, w/CS	Kaiser	Reese
2) Finance & Tax Committee	7 Y, 0 N, w/CS	Noriega	Diez-Arguelles
3) State Resources Council			
4) _____			
5) _____			

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**SUMMARY ANALYSIS**

This bill provides a sales tax exemption for purchases of low-volume irrigation, or microirrigation equipment, or components that are used exclusively in agricultural production. The bill also provides definitions for low-volume irrigation, microirrigation, and their related components.

The bill deletes two sales tax exemptions from s. 212.08(5)(a), F.S., which are addressed in other provisions of s. 212.08, F.S. These exemptions are for generators used on poultry farms, and for liquefied petroleum gas or other fuel used to heat a structure in which started pullets or broilers are raised.

The Revenue Estimating Conference estimates that the provisions of this bill will result in a negative fiscal impact of \$2.9 million to state government and \$0.7 million to local governments in FY 2006-07, and of \$3.2 million to state government and \$0.7 million to local governments in FY 2007-08.

The bill has an effective date of July 1, 2006.

## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

#### A. HOUSE PRINCIPLES ANALYSIS:

Ensure lower taxes: This bill provides a sales tax exemption for the purchase of low-volume irrigation, or microirrigation equipment, or components that are used exclusively in agricultural production.

#### B. EFFECT OF PROPOSED CHANGES:

##### Current Situation

Section 212.02, F.S., defines terms and phrases used in Chapter 212, F.S., Sales and Use Tax. There is currently no definition or specific exemption for the terms "low-volume irrigation" or "microirrigation."

Section 212.08(3), F.S., provides an 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), F.S., provides exemptions for different categories on account of use. Section 212.08(5)(a), F.S., provides exemptions for items in agricultural use, which include exemptions for 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.

Section 212.08(5)(e), F.S., provides an 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 or for processing farm products on the farm. This exemption includes fuel used to operate heating equipment for a structure in which started pullets or broilers are raised.

##### Proposed Changes

The bill provides a sales tax exemption for the purchase of low-volume irrigation, or microirrigation equipment, or components that are used exclusively in agricultural production.

The bill defines low-volume irrigation or microirrigation as irrigation by means of frequent application of small quantities of water directly on or below the soil surface, usually as discrete drops, tiny streams, or miniature sprays through emitters placed along the water delivery pipes.

Low-volume irrigation and microirrigation systems are designed to deliver water at a rate of 45 gallons per hour or less per exit point. The physical components necessary to transport water from the pump or pumping station to the crop through the low-volume irrigation or microirrigation system. System components include pumps, pumping stations, control stations, filtration equipment pressure regulators, piping, tubing, emitters, valves, fittings, gauges, sensors, sprinklers, and safety devices.

The bill deletes the exemption for generators used on poultry farms from s. 212.08(5)(a), F.S. Generators used on poultry farms remain exempt under the provisions of s. 212.08(3), F.S.

The bill also deletes the exemption for liquefied petroleum gas or other fuel used to heat a structure in which started pullets or broilers are raised from s. 212.08(5)(a), F.S. Fuel used for such purposes remains exempt under the provisions of s. 212.08(5)(e), F.S.

#### C. SECTION DIRECTORY:

Section 1. Creates s. 212.02(33), F.S., by providing definitions.

Section 2. Amends s. 212.08(5)(a), F.S., by providing a new exemption, and by deleting exemptions found in other provisions of s. 212.08, F.S.

Section 3. Provides an effective date of July 1, 2006.

## 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 negative fiscal impact on state government:

	<u>2006-07</u>	<u>2007-08</u>
General Revenue	(2.9m)	(3.2m)
State Trust	<u>(Insignificant)</u>	<u>(Insignificant)</u>
Total	(2.9m)	(3.2m)

#### 2. Expenditures:

None.

### 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>2006-07</u>	<u>2007-08</u>
Revenue Sharing	(0.1m)	(0.1m)
Local Gov't. Half Cent	(0.3m)	(0.3m)
Local Option	<u>(0.3m)</u>	<u>(0.3m)</u>
Total Local Impact	(0.7m)	(0.7m)

#### 2. Expenditures:

None.

### C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Persons purchasing low-volume irrigation, or microirrigation equipment, or their components for use in agricultural production will no longer be required to pay the applicable sales tax on these products.

### D. FISCAL COMMENTS:

None.

## III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

The mandates provision appears to apply because the bill reduces the authority that counties have to raise revenues through local option sales taxes; however, the amount of the reduction is insignificant and an exemption applies. Accordingly, the bill does not require a two-thirds vote of the membership of each house.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

The Department of Revenue (DOR) will issue a Tax Information Publication (TIP) to inform affected equipment dealers regarding the exemption for low-volume or microirrigation equipment.

DOR also recommends inserting a comma on page 2, line 36, to separate "filtration equipment" from "pressure regulators."

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

On February 22, 2006, the Agriculture Committee adopted a strike-all amendment to the bill. The strike-all amendment provided a sales tax exemption on the purchase of low-volume irrigation, or microirrigation equipment, or components used in agricultural production.

On April 17, 2006, the Finance and Tax Committee adopted one amendment to the bill. This amendment changed the effective date of the bill from upon becoming a law to an effective date of July 1, 2006.

The bill was then reported favorably with a committee substitute, and this analysis reflects the change contained in the amendment adopted by the Finance and Tax Committee.