

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 691 Tax on Sales, Use, and Other Transactions
SPONSOR(S): Negron and others
TIED BILLS: **IDEN./SIM. BILLS:** SB 1404

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Finance & Tax Committee		Levin	Diez-Arguelles
2) Fiscal Council			
3) _____			
4) _____			
5) _____			

SUMMARY ANALYSIS

The bill provides that no sales tax will be collected on the first \$5,000 of the sales price of any item of tangible personal property or admission to an event purchased by an individual for personal consumption during the seven-day period of July 31, 2006 through August 6, 2006.

The tax-free period does not apply to :

- Purchases made by a business, as defined in s. 212.02(2), Florida Statutes;
- Purchases by an individual to be used in business;
- Rental car surcharges paid pursuant to s. 212.0606, Florida Statutes;
- Sales from vending machines taxed pursuant to s. 212.0515, Florida Statutes;
- Dues and fees paid to private clubs and membership clubs described in s. 212.02(1), Florida Statutes;
- Service warranties taxed pursuant to s. 212.0506, Florida Statutes;
- Charges for the use of coin operated amusement machines, pursuant to s. 212.05(1)(h), Florida Statutes;
- Discretionary sales surtaxes as described in ss. 212.054 and 212.055, Florida Statutes;
- Convention development taxes as described in s. 212.0305, Florida Statutes; and
- Local option food and beverage taxes levied pursuant to s. 212.0306, Florida Statutes.

Retailers selling single items of tangible personal property having a sales price of \$1,000 or more will be required to obtain a Florida Sales Tax Purchaser's Certification of Personal Consumption.

The preliminary estimate of the fiscal impact of the bill is approximately negative (\$350 million) in state revenues and negative (\$88 million) in local revenues during FY 2006-2007.

The estimated reduction in Local Option Sales Tax by this bill is approximately a negative (\$38 million). The bill therefore reduces the authority of cities and counties to raise revenues in the aggregate and is a mandate to local governments. The Florida Constitution therefore requires a 2/3 vote of the membership of each house of the Legislature.

The bill provides an appropriation to the Department of Revenue of \$400,000 from the General Revenue Fund in FY 2006-2007 to administer the bill.

The bill is effective upon becoming 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:

Ensures lower taxes – The bill eliminates sales tax on tangible personal property and admissions during the period of the sales tax holiday, which will be seven days beginning July 31, 2006.

B. EFFECT OF PROPOSED CHANGES:

Chapter 212, Florida Statutes, imposes sales tax on the retail sale, storage or use of tangible personal property and admissions purchased by individuals for personal consumption. These items will be exempt from sales tax for the seven day period of July 31, 2006 through August 6, 2006.

History of Sales Tax Holidays

Since 1998, the Legislature has enacted a number of tax relief acts which provided that various items of apparel and back to school supplies would not be subject to sales tax during a nine-day period. The tax holidays took place sometime between late July and mid-August. Back to school sales tax holidays have occurred in 1998, 1999, 2000, 2001, 2004 and 2005. In 2005, the Florida Legislature also enacted a separate sales and use tax holiday for certain enumerated “hurricane” supplies. That holiday occurred from June 1, 2005 through June 12, 2005.

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The bill provides that no sales tax will be collected on the first \$5,000 of the sales price of any item of tangible personal property or admission to an event purchased by an individual for personal consumption during the seven-day period of July 31, 2006 through August 6, 2006.

The tax-free period does not apply to :

- Purchases made by a business, as defined in s. 212.02(2), Florida Statutes;
- Purchases by an individual to be used in business;
- Rental car surcharges paid pursuant to s. 212.0606, Florida Statutes;
- Sales from vending machines taxed pursuant to s. 212.0515, Florida Statutes;
- Dues and fees paid to private clubs and membership clubs described in s. 212.02(1), Florida Statutes;
- Service warranties taxed pursuant to s. 212.0506, Florida Statutes;
- Charges for the use of coin operated amusement machines, pursuant to s. 212.05(1)(h), Florida Statutes;
- Discretionary sales surtaxes as described in ss. 212.054 and 212.055, Florida Statutes;
- Convention development taxes as described in s. 212.0305, Florida Statutes; and
- Local option food and beverage taxes levied pursuant to s. 212.0306, Florida Statutes.

Retailers that sell single items of tangible personal property having a sales price of \$1,000 or more are required to obtain from the purchaser and keep a Florida Sales Tax Purchaser’s Certification of Personal Consumption, which the purchaser shall sign under penalties of perjury and which includes the purchaser’s mailing address.

The bill grants the Department of Revenue authority to promulgate rules to implement the provisions of the bill.

The bill provides an appropriate of \$400,000 from the General Revenue Fund to the Department of Revenue to administer the sales tax holiday.

C. SECTION DIRECTORY:

Section 1. Creates a sales tax holiday on the first \$5,000 of the sales price of all tangible personal property and admissions purchased for personal consumption during the seven day period beginning July 31, 2006 and ending August 6, 2006. The holiday does not include purchases made by businesses or by individuals to be used in a business. The Department of Revenue is given broad rulemaking authority to administer the holiday. This section includes an appropriation of \$400,000 from the General Revenue Fund to the Department of Revenue to administer the bill.

Section 2. Provides an effective date of becoming law.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

The bill is estimated to reduce state revenues by approximately \$350m. The Revenue Estimating Conference has not provided an official estimate.

2. Expenditures:

The bill provides an appropriation from the General Revenue Fund to the Department of Revenue of \$400,000 to administer the sales tax holiday.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

The bill is estimated to reduce local revenues by approximately \$88m. The Revenue Estimating Conference has not provided an official estimate.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Retailers may experience additional sales as a result of the holiday.

D. FISCAL COMMENTS:

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

The estimated reduction in Local Option Sales tax by this bill is approximately negative (\$88 million). The bill therefore reduces the authority of cities and counties to raise revenues in the aggregate and is a mandate to local governments. The Florida Constitution therefore requires a 2/3 vote of the membership of each house of the Legislature.

2. Other:

B. RULE-MAKING AUTHORITY:

The bill specifically authorizes the Department of Revenue to adopt rules to implement and administer the tax free period.

C. DRAFTING ISSUES OR OTHER COMMENTS:

IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES