

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 1199 Tax on Sales, Use, and Other Transactions
SPONSOR(S): Nelson
TIED BILLS: **IDEN./SIM. BILLS:** SB 1416

| REFERENCE | ACTION | ANALYST | STAFF DIRECTOR |
|---|-----------------|---------------|----------------|
| 1) <u>Committee on Agribusiness</u> | <u>8 Y, 0 N</u> | <u>Kaiser</u> | <u>Reese</u> |
| 2) <u>Environment & Natural Resources Council</u> | <u></u> | <u></u> | <u></u> |
| 3) <u>Policy & Budget Council</u> | <u></u> | <u></u> | <u></u> |
| 4) <u></u> | <u></u> | <u></u> | <u></u> |
| 5) <u></u> | <u></u> | <u></u> | <u></u> |

SUMMARY ANALYSIS

HB 1199 provides a sales tax exemption for electricity used indirectly in the production or processing of agricultural products on a farm. The bill amends an exemption, enacted during the 2006 legislative session, to apply to other activities indirectly related to agricultural production or processing.

The Revenue Estimating Conference estimates that the provisions of this legislation will result in a negative fiscal impact of \$1.7 million to state and local governments in FY 2007-2008 and \$.8 million to state and local governments in FY 2008-2009.

The effective date of this legislation is July 1, 2007.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Ensure lower taxes: This bill provides a sales tax exemption for electricity used indirectly in the production or processing of agricultural products on a farm.

B. EFFECT OF PROPOSED CHANGES:

During the 2006 legislative session, HB 7075 was enacted providing a sales tax exemption for electricity used directly and exclusively for the production or processing of agricultural products on a farm, as long as it was separately metered. During the implementation of that legislation, it became apparent that the legislation was so narrowly drawn that it failed to encompass all aspects involved in production and processing.

HB 1199 provides for the sales tax exemption to apply to electricity used directly or indirectly in the production or processing of agricultural products on a farm. This expansion will allow for the exemption to apply to other agricultural-related activities performed in offices and barns.

C. SECTION DIRECTORY:

Section 1: Amends s. 212.08, F.S.; expanding exemption for electricity used for certain agricultural purposes.

Section 2: Provides an effective date of July 1, 2007.

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>2007-08</u> | <u>2008-09</u> |
|-----------------|-----------------|-----------------|
| General Revenue | (1.5m) | (.6m) |
| State Trust | (Insignificant) | (Insignificant) |

2. Expenditures:

None

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

| | | |
|--------------|--------------|--------------|
| Local Impact | <u>(.2m)</u> | <u>(.2m)</u> |
|--------------|--------------|--------------|

2. Expenditures:

None

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Agricultural producers will save money by not having to pay sales tax on electricity used indirectly in the production or processing of agricultural products on a farm, as long as it is separately metered.

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:

None

D. STATEMENT OF THE SPONSOR

Last year the Legislature passed a bill which exempted the sales tax on electricity used for agricultural production and processing on a farm. If a barn or office was not exclusively used for production or processing, then it was not exempted. For example, if the computer in the office is also used for payroll, then the office electricity is not exempt and had to be separately metered. This legislation corrects the problem. Electricity used directly or indirectly on a farm will be exempted. The revenue impact is only \$700,000.

IV. AMENDMENTS/COUNCIL SUBSTITUTE CHANGES

N/A