

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 1561

Exemptions from Tax on Sales, Use, and Other Transactions

SPONSOR(S): Poppell

TIED BILLS:

IDEN./SIM. BILLS: SB 1984

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Committee on Agribusiness		Kaiser	Reese
2) Environment & Natural Resources Council			
3) Policy & Budget Council			
4) _____			
5) _____			

SUMMARY ANALYSIS

The bill provides a sales tax exemption for building materials used in the construction, replacement, rebuilding or repair of non-residential farm structures. The bill stipulates the structure must be non-residential and located on land that is an integral part of a farm operation or is classified under the "greenbelt" exemption¹. Persons purchasing materials qualifying for the exemption must sign a certificate stating the item exempted is to be used as designated by this legislation.

The bill further provides a retroactive exemption for the purchase of building materials since July 1, 2006, and other purchases regardless of the date, when the materials were used to repair, rebuild, or replace damage from a named storm impacting the state in 2004 or 2005. Documentation of purchases must be presented to qualify for the exemptions.

The Revenue Estimating Conference has not yet examined HB 1561; therefore, the fiscal impact has not been determined.

¹ s. 193.461, F.S.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Ensure lower taxes: This bill provides a sales tax exemption for building materials used in the construction, replacement or repair of non-residential farm structures. The bill further provides a retroactive exemption for the purchase of building materials since July 1, 2006, and other purchases regardless of the date, when the materials were used for repair of damage from a named storm impacting the state in 2004 or 2005.

B. EFFECT OF PROPOSED CHANGES:

Florida's agricultural producers are currently taxed twice on structures used in the production and processing of agricultural products. They pay sales tax on the initial purchase of materials used in the construction, repair, or rebuilding and then they are taxed on the tangible value of the structures. Most of the structures, such as greenhouses, shade houses and pole barns to name a few, do not qualify for insurance coverage even though many are built with materials rated for hurricane-force winds. Therefore, when a building is damaged by a natural disaster or other means, the producer absorbs the loss. Barring a natural disaster, the average life span of these structures is 10-15 years. Currently, California, Texas and North Carolina are the only states that provide sales tax exemptions for farm building materials.

The bill provides a sales tax exemption for building materials used in the construction, replacement, rebuilding or repair of non-residential farm structures. Building materials covered by the exemption include, but are not limited to, wood, metal, aluminum, tin, plastics, glass, polyethylene, shade cloth, woven ground cloth, nails, nuts, bolts, fasteners, cable, wires, and other similar accessories. The bill stipulates the structure must be non-residential and located on land that is an integral part of a farm operation or is classified under the "greenbelt" exemption.² Qualifying structures include, but are not limited to, greenhouses, shade houses, poly-houses, facilities required to meet state or federal eradication or other successor programs, pole barns, fences, irrigation pump houses, and storage facilities. Persons purchasing materials qualifying for the exemption must sign a certificate stating the item exempted is to be used as designated by this legislation.

The bill further provides a retroactive exemption for the purchase of building materials since July 1, 2006, and other purchases regardless of the date, when the materials were used to repair, rebuild, or replace damage from a named storm impacting the state in 2004 or 2005. Documentation of purchases must be presented to qualify for the exemptions.

C. SECTION DIRECTORY:

Section 1: Amends s. 212.08, F.S.; creating an exemption for materials used in the construction, replacement, repair, or rebuilding of non-residential farm structures; providing conditions for exemption; providing retroactive exemption; and providing conditions for retroactive exemption.

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

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

² s. 193.461, F.S.

See fiscal comments.

2. Expenditures:

See fiscal comments.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

See fiscal comments.

2. Expenditures:

See fiscal comments.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Persons purchasing building materials for non-residential farm structures will no longer be required to pay the applicable sales tax on these products.

D. FISCAL COMMENTS:

The Revenue Estimating Conference has not yet examined HB 1561; therefore, the fiscal impact has not been determined.

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 the House.

2. Other:

None

B. RULE-MAKING AUTHORITY:

None

C. DRAFTING ISSUES OR OTHER COMMENTS:

None

D. STATEMENT OF THE SPONSOR

No statement submitted.

IV. AMENDMENTS/COUNCIL SUBSTITUTE CHANGES

N/A