

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 1561
SPONSOR(S): Poppell
TIED BILLS:

Exemptions from Tax on Sales, Use, and Other Transactions
IDEN./SIM. BILLS: SB 1984

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

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 estimates that the provisions of the strike-all amendment will result in a negative fiscal impact of \$6.8 million to state and local governments in FY 2007-2008 and \$7.9 million to state and local governments in FY 2008-2009.

HB 1561 has one strike-all amendment traveling with the bill. For an explanation of this amendment, please refer to Section IV. (Amendments/Council Substitute Changes).

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:

² s. 193.461, F.S.

1. Revenues:

	<u>2007-08</u>	<u>2008-09</u>
General Revenue	(5.6m)	(6.5m)
State Trust	<u>(Insignificant)</u>	<u>(Insignificant)</u>
Total	(5.6m)	(6.5m)

2. Expenditures:

None

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

	<u>2007-08</u>	<u>2008-09</u>
Local Impact	(1.2m)	(1.4m)

2. Expenditures:

None

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 estimates that the provisions of this legislation will result in a negative fiscal impact of \$6.8 million to state and local governments in FY 2007-2008 and \$7.9 million to state and local governments in FY 2008-2009.

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

On March 21, 2007, the Committee on Agribusiness adopted one strike-all amendment to HB 1561. The difference between the amendment and the bill is the amendment no longer provides for the retroactive exemption on sales tax for building materials used for agricultural structures. The analysis reflects the fiscal impact of the strike-all amendment.