

The Florida Senate
PROFESSIONAL STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: Agriculture Committee

BILL: CS/SB 1984

INTRODUCER: Agriculture Committee and Senator Baker

SUBJECT: Tax Exemption/Nonresidential Farm Structures

DATE: March 29, 2007

REVISED: _____

ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1. Akhavein	Poole	AG	Fav/CS
2. _____	_____	FT	_____
3. _____	_____	GA	_____
4. _____	_____	_____	_____
5. _____	_____	_____	_____
6. _____	_____	_____	_____

I. Summary:

This committee substitute exempts building materials used in the construction, replacement, repair, or rebuilding of nonresidential farm structures from the Florida sales and use tax. The purchaser of the building materials must sign a certificate stating that the item to be exempted will be used on land that is an integral part of a farm operation or is classified under the “greenbelt” exemption.

This committee substitute amends section 212.08 of the Florida Statutes.

II. Present Situation:

Florida law provides that each sale, admission charge, storage, or rental is taxable unless the transaction is specifically exempt. The statutes currently provide more than 200 non-service exemptions. Florida's general sales tax rate is 6 percent, pursuant to ch. 212, F.S. Additionally, many counties impose a discretionary sales surtax. The maximum they may levy in total is 2.5 percent. To compute the Florida sales tax rate for each county, the county imposed discretionary sales surtax rate would be added to the general sales and use tax rate.

The 2004 and 2005 hurricane seasons dramatically impacted Florida’s citizens and businesses, especially agricultural businesses. Greenhouses, shadehouses, pole barns and other agricultural structures in a majority of cases do not qualify for any type of insurance, causing the producer to absorb all financial losses after a hurricane. Agricultural producers must pay sales taxes on the initial purchase of materials to build or rebuild and then are subsequently taxed on the tangible value of their structures. Barring a natural disaster that would demolish an agricultural structure, many of these buildings have a life expectancy of 10-15 years, thus the revenue from sales tax is

not a recurring cost to the state each year. It is believed that California, Texas, and North Carolina are the only states that currently provide a sales tax exemption for farm building materials.

III. Effect of Proposed Changes:

Section 1 amends s. 212.08, F.S., to exempt specified materials used in constructing, replacing, repairing, or rebuilding existing nonresidential agricultural structures from sales and use tax. It provides that such structures include, but are not limited to, greenhouses, shade houses, poly houses, poultry houses, milking parlors, barns, fences, irrigation pump houses, storage facilities, and other similar structures. It also provides that the exemption shall not be allowed unless the purchaser of the building materials signs a certificate stating that the item to be exempted is for the use designated herein.

Section 2 provides that this act shall take effect July 1, 2007.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

Refer to Section C, Government Sector Impact.

B. Private Sector Impact:

Exempting specified building materials from sales tax would provide an incentive for a producer to remain in business and to keep land in agricultural production after farm buildings are destroyed by a storm or when new buildings are required.

C. Government Sector Impact:

On March 20, 2007, the 2007 Revenue Estimating Conference projected that the exemption from sales and use tax in the bill would result in a loss of \$6.1 million in recurring General Revenue in fiscal year 2007-08. The local government impact would result in a recurring loss of \$1.4 million in fiscal year 2007-08.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

This Senate Professional Staff Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.

VIII. Summary of Amendments:

None.

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