

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: Higher Education Committee

BILL: CS/SB 254

INTRODUCER: Committee on Higher Education and Senator Wise

SUBJECT: Sales Tax/Bookstore Books

DATE: March 14, 2007

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Brown</u>	<u>Matthews</u>	<u>HE</u>	<u>Fav/CS</u>
2.	_____	_____	<u>FT</u>	_____
3.	_____	_____	<u>GA</u>	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

I. Summary:

This bill provides a sales tax exemption for textbooks purchased at bookstores for postsecondary classes.

To qualify for the exemption, this bill requires:

- The purchaser to be a degree-seeking student who holds valid student identification;
- The bookstore to retain the course syllabi as proof that the textbook is required for a class; and
- The textbook must be required for the postsecondary class.

This bill substantially amends section 212.08 of the Florida Statutes.

II. Present Situation:

Sales tax is set in the state at six percent on all items of tangible personal property sold through retail transactions.¹ In addition to the six percent taxed on each retail item, local governments are authorized to levy various local discretionary sales surtaxes.²

Sales tax exemptions exist for a variety of items, including food products for human consumption; medical products and supplies; certain farm equipment; machinery or equipment used in semiconductor, defense, or space technology production; and United States and Florida

¹ s. 212.05(1)(a), F.S.

² s. 212.055, F.S.

flags.³ An exemption is also provided for school books used in regularly prescribed courses of study by students in grades K through 12. These include yearbooks, magazines, newspapers, directories, bulletins, and similar publications.⁴ School books sold at community colleges and other institutions of higher learning are taxable, however.

III. Effect of Proposed Changes:

This bill provides a sales tax exemption for textbooks required for classes at any institution of higher learning, including community colleges, state universities, and private postsecondary institutions.

The bill places the following restrictions on eligibility:

- The sales tax exemption is limited to a degree-seeking student who holds a valid student identification; and
- The bookstore must retain the course syllabi as proof that the textbook is required for a class at the institution.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

By expanding these sales tax exemptions, the bill reduces the sales tax base of municipalities and counties, thereby reducing their revenue-raising authority. The Consensus Estimating Conference determined an annual local option impact over the next five years of a range from \$2.0 million to \$2.7 million. As the Conference based its analysis on assumptions that no longer exist, namely that the exemption is limited to on-campus purchases for books at public postsecondary institutions, the true local option impact is likely much higher.

This bill may trigger the requirements of Section 18, Article 7, of the State Constitution.⁵ For purposes of the mandate analysis, where the fiscal impact is determined to be insignificant, the constitutional requirements do not apply. The term “insignificant” is defined as an amount not greater than the statewide population for the applicable fiscal year multiplied by \$0.10. According to the Office of Economic and Demographic Research, the current population in Florida is estimated to be about 18.8 million.⁶ Therefore, an insignificant fiscal impact is considered to be in the aggregate of \$1.88 million or less.

³ s. 212.08, F.S.

⁴ s. 212.08(7)(r), F.S.

⁵ s. 18, art. VII, of the State Constitution, provides that no county or municipality shall be bound by any general law requiring such county or municipality to spend funds or take an action requiring the expenditure of funds unless the Legislature determines that the law fulfills an important state interest and that specified funding requirements can be demonstrated. This provision also requires two-thirds approval by the membership of each house.

⁶ *Florida Population and Components of Change*, Office of Economic and Demographic Research (Oct. 24, 2006).

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

It is unclear what impact this bill will have on municipalities that collect a local tax and have a significant ratio of student-to-local population.

B. Private Sector Impact:

This bill will benefit students attending any institution of higher learning. Private booksellers that sell books required for postsecondary studies may benefit from increased sales, as this bill provides a level of parity between them and the online booksellers that are not required to charge tax.

C. Government Sector Impact:

On February 9, 2007, the Consensus Estimating Conference met and projected the following five-year fiscal impact:

	FY 2007-2008 Annualized	FY 2007- 2008 Cash	FY 2008- 2009 Cash	FY 2009- 2010 Cash	FY 2010- 2011 Cash
General Revenue	(\$22.6 m)	(\$20.8 m)	(\$24.6 m)	(\$26.7 m)	(\$29.0 m)
State Trust	(Insignificant)	(Insignificant)	(\$1 m)	(\$1 m)	(.1 m)
Total State Impact	(\$22.6 m)	(\$20.8 m)	(\$24.7 m)	(\$26.8 m)	(\$29.1 m)
Revenue Sharing	(\$8 m)	(\$7 m)	(\$8 m)	(\$9 m)	(\$10 m)
Local Gov't Half Cent	(\$2.2 m)	(\$2.0 m)	(\$2.4 m)	(\$2.6 m)	(\$2.8 m)
Local Option	(\$2.1 m)	(\$2.0 m)	(\$2.3 m)	(\$2.5 m)	(\$2.7 m)
Total Local Impact	(\$5.1 m)	(\$4.7 m)	(\$5.5 m)	(\$6.0 m)	(\$6.5 m)
Total Impact	(\$27.7 m)	(\$25.5 m)	(\$30.2 m)	(\$32.8 m)	(\$35.6)

The Consensus Estimating Conference adopted a middle estimate, which assumes that 15 percent of books will not be sales tax exempt. The conference additionally assumed application to book purchases at state universities, community colleges, and vocational-technical schools. The impact is likely much higher, with the expansion of this bill's application to the following:

- Books required for courses at private, postsecondary institutions; and
- Books purchased at off-campus bookstores.

VI. Technical Deficiencies:

None.

VII. Related Issues:

The Legislature has offered tax relief and exemptions for the past several years through a sales tax holiday on certain back-to-school expenses on certain items of \$100 or less, including books.

This Senate 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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