

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

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

Prepared By: The Professional Staff of the Education Pre-K - 12 Committee

BILL: CS/SB 508

INTRODUCER: Committee on Education Pre-K - 12 and Senator Bogdanoff

SUBJECT: Tax on Sales, Use, and Other Transactions

DATE: April 14, 2011 **REVISED:** _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Brown	Matthews	ED	Fav/CS
2.			BC	
3.			RC	
4.				
5.				
6.				

Please see Section VIII. for Additional Information:

A. COMMITTEE SUBSTITUTE..... Statement of Substantial Changes

B. AMENDMENTS..... Technical amendments were recommended

Amendments were recommended

Significant amendments were recommended

I. Summary:

This bill authorizes a sales tax holiday for specific clothing and school supplies.

Exceptions are specified.

Purchases made at certain locations do not qualify for the sales tax exemption.

The sales tax holiday is a one-time holiday.

An appropriation is provided for the Department of Revenue (DOR) to fulfill its role in implementing this bill.

This bill substantially amends section 212.08 of the Florida Statutes.

II. Present Situation:

Sales Tax

State sales tax is applied to most purchases of tangible personal property at a rate of 6 percent in Florida.¹ Tax attaches to retail sales.²

Sales tax exemptions are provided in s. 212.08, F.S., and apply to a range of specific items, including most food that is not considered prepared food, certain medical supplies, farm equipment, specific industrial machinery and equipment, and kindergarten through grade 12 school books and school lunches.

Sales Tax Holidays

The Legislature has approved sales tax holidays for a number of years, notably from 2005 through 2007, and then again in 2010, and has not adopted them for others (2008 and 2009). The holiday is generally made available for the benefit of families making back-to-school purchases, and the holiday is typically offered just prior to the start of a new school year.

III. Effect of Proposed Changes:

This bill creates a sales tax holiday that would apply to purchase of the following items:

- Clothing, wallets and bags, including handbags, backpacks, fanny packs and diaper bags that cost \$75 or less. Clothing is defined as apparel worn on the human body, including shoes, but excluding jewelry, skis, swim fins, roller blades and skates, and handkerchiefs; and
- School supplies that cost \$15 or less, including writing implements, erasers, paper, lunch boxes, scissors, tape, glue, rulers, notebooks, computer disks, protractors, compasses, and calculators;

Purchases made within a public lodging establishment, a theme park or entertainment complex, or within an airport, are not eligible for the exemption.

The time frame for the sales tax holiday runs from Friday through Sunday, from August 12th through August 14th, 2011.

This bill provides emergency rulemaking authority to the Department of Revenue (DOR) to adopt rules to implement these provisions.

This sales tax holiday is provided on a one-time basis.

¹ s. 212.05(1), F.S.

² s. 212.07(1), F.S.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

Private retailers who sell these types of items will likely experience increased sales related to the sales tax holiday. Consumers will benefit from having the ability to purchase included items tax-free during the term of the sales tax holiday.

C. Government Sector Impact:

The state will lose revenue based upon the sales tax holiday. According to the Office of Economic and Demographic Research, the total impact on state revenue in millions would be:

Item	2011-12
Clothing and Shoes	24.3
School Supplies	4.5
Total	28.8

An additional lost revenue of \$2.4 million is estimated from local option sales tax that would have been collected.

Nonrecurring funds from the General Revenue Fund are authorized for DOR in the amount of \$218,905. This is identical to the fiscal impact that the DOR indicated it would incur to implement this bill, specifically regarding the cost to print and mail a Taxpayer Information Publication (TIP).

The DOR additionally anticipates a substantial negative impact in regulatory costs as follows:

...the Department will likely be required to revise forms and to promulgate a new permanent rule. Taxpayers who sell items covered by the exemption will bear annual costs to reprogram their point of sale terminals and accounting systems to accommodate the tax-period exemption. This will include programming to cover the tax-exemption period and a reversion back to the collection of tax after the period expires. It is estimated that there are 554,000 taxpayers that would participate....accounting and programming changes....would likely increase the regulatory costs on those taxpayers....It is estimated that...regulatory costs may exceed \$1 million in the aggregate within 5 years of implementation....³

VI. Technical Deficiencies:

Arguably, notebooks could be considered to capture computer laptop machines.

VII. Related Issues:

None.

VIII. Additional Information:

A. Committee Substitute – Statement of Substantial Changes: (Summarizing differences between the Committee Substitute and the prior version of the bill.)

CS by the Committee on Education Pre-K – 12 on April 14, 2011:

This bill:

- Increases the value amounts of clothing from \$50 or less to \$75 or less, and of school supplies, from \$10 or less to \$15 or less;
- Removes computers and computer accessories from the list of items included in the sales tax holiday;
- Provides an appropriation for the Department of Revenue (DOR) and grants the DOR emergency rulemaking authority; and
- Provides the sales tax holiday as a one-time holiday.

B. Amendments:

None.

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

³ Bill Analysis, Department of Revenue, March 4, 2011.