

## HOUSE OF REPRESENTATIVES STAFF ANALYSIS

**BILL #:** HB 821 Packing of Agricultural Products

**SPONSOR(S):** Albritton

**TIED BILLS:** None **IDEN./SIM. BILLS:** SB 592

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Agriculture & Natural Resources Subcommittee	14 Y, 0 N	Cunningham	Blalock
2) Finance & Tax Committee			
3) State Affairs Committee			

### SUMMARY ANALYSIS

Current law specifically exempts from sales and use taxes, electricity used directly or indirectly for production or processing of agricultural products on the farm. Packing houses located on a farm are exempt from these taxes under this provision, but packinghouses not located on a farm are subject to these taxes on electricity consumed.

The bill amends current law to specifically provide that electricity used directly or indirectly for packing, or used directly or indirectly in a packinghouse is also exempt from these taxes.

The bill defines a packinghouse to mean any building or structure where fruits and vegetables are packed or otherwise prepared for market or shipment in fresh form for wholesale distribution. The exemption does not apply to electricity used in buildings or structures where agricultural products are sold at retail.

The bill appears to have a fiscal impact on state government revenues (see Fiscal Comments section). The bill exempts packinghouses from certain local taxes and fees, and therefore, also appears to have a fiscal impact on local governments. The November 10, 2011, Revenue Estimating Conference estimated that the provisions of this bill would result in a recurring negative fiscal impact of \$900,000 to the state and \$200,000 to local governments, for a total recurring impact of \$1.1 million.

## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

#### A. EFFECT OF PROPOSED CHANGES:

##### Current Situation

Section 212.08(5)(e), F.S., exempts electricity used directly or indirectly for production or processing of agricultural products on the farm from the taxes imposed by chapter 212, F.S., which include sales, rental, use, consumption, distribution, and storage taxes. Packinghouses located on a farm are exempt from these taxes under this provision, but packinghouses not located on a farm are subject to these taxes on the electricity consumed.

##### Effect of Proposed Changes

The bill amends s. 212.08(5)(e), F.S., to specifically provide that electricity used directly or indirectly for packing, or used directly or indirectly in a packinghouse is also exempt from the taxes imposed by chapter 212, F.S. The bill also defines a packinghouse to mean any building or structure where fruits and vegetables are packed or otherwise prepared for market or shipment in fresh form for wholesale distribution.

Lastly, the bill specifies that the tax exemption does not apply to electricity used in buildings or structures where agricultural products are sold at retail.

#### B. SECTION DIRECTORY:

**Section 1:** Amends s. 212.08, F.S., providing a tax exemption for electricity used directly or indirectly in a packinghouse; providing a definition for packinghouse; and providing clarification of the exemption.

**Section 2:** Provides an effective date of July 1, 2012.

### II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

#### A. FISCAL IMPACT ON STATE GOVERNMENT:

##### 1. Revenues:

The November 10, 2011, Revenue Estimating Conference estimated that the provisions of this bill would result in a recurring negative fiscal impact of \$900,000 to the state.

##### 2. Expenditures:

None.

#### B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

##### 1. Revenues:

The November 10, 2011, Revenue Estimating Conference estimated that the provisions of this bill would result in a recurring negative fiscal impact of \$200,000 to local governments.

##### 2. Expenditures:

None.

#### C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Persons operating a packinghouse for the packaging of fruits and vegetables for market or shipment in fresh form for wholesale distribution will no longer pay certain taxes for the electricity used in the packinghouse.

D. FISCAL COMMENTS:

None.

**III. COMMENTS**

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

The county/municipality mandates provision of Art. VII, section 18, or the Florida Constitution may 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.

**IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES**

None.