

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 Budget Subcommittee on Finance and Tax

BILL: CS/SB 982

INTRODUCER: Budget Subcommittee on Finance and Tax; and Senator Bogdanoff

SUBJECT: Tax on Sales, Use and Other Transactions

DATE: February 23, 2012 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Brown</u>	<u>deMarsh-Mathues</u>	<u>ED</u>	Favorable
2.	<u>Cote</u>	<u>Diez-Arguelles</u>	<u>BFT</u>	Fav/CS
3.	_____	_____	<u>BC</u>	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

Please see Section VIII. for Additional Information:

- | | | |
|------------------------------|-------------------------------------|---|
| A. COMMITTEE SUBSTITUTE..... | <input checked="" type="checkbox"/> | Statement of Substantial Changes |
| B. AMENDMENTS..... | <input type="checkbox"/> | Technical amendments were recommended |
| | <input type="checkbox"/> | Amendments were recommended |
| | <input type="checkbox"/> | Significant amendments were recommended |

I. Summary:

CS/SB 982 authorizes a 3-day sales tax holiday for specific clothing, footwear, and bags that cost \$75 or less, and school supplies that cost \$15 or less. The CS specifies that the exemption does not apply to sales within a theme park, entertainment complex, public lodging establishment, or airport. The sales tax holiday is a one-time holiday, and is scheduled from August 3, 2012 through August 5, 2012.

The Department of Revenue is provided an appropriation of \$226,284 to implement these provisions, and is granted emergency rulemaking authority.

This CS will take effect upon become law.

This CS creates an undesignated section of the Florida Statutes.

II. Present Situation:

Chapter 212, F.S., imposes a 6 percent sales tax on the retail sale of tangible personal property, which includes books, clothing, footwear, wallets, bags, and school supplies.¹ In addition, county governments may impose discretionary sales surtaxes.²

Sales Tax Holidays

The Legislature has approved sales tax holidays for a number of years, notably from 2004 through 2007, and then again in 2010 and 2011. The length of the exemption period has varied from 3 to 10 days. The type and value of exempt items has also varied. The holiday is made available for the benefit of families making back-to-school purchases, and is typically offered just prior to the start of a new school year.

III. Effect of Proposed Changes:

The committee substitute creates a 3-day sales tax holiday from August 3, 2012, at 12:01am until August 5, 2012 at 11:59pm. During the sales tax holiday, the following items are exempt:

- Clothing, wallets, or bags, including handbags, backpacks, fanny packs, and diaper bags with a sales price of \$75 or less per item. Briefcases, suitcases, and other garment bags are excluded. Clothing is defined as “apparel intended to be worn on the human body”, including shoes, but excluding watches, watchbands, jewelry, umbrellas, handkerchiefs, skis, swim fins, rollerblades and skates;
- School supplies with a sales price of \$15 or less per item, including pens, pencils, erasers, crayons, notebooks and paper, binders, lunch boxes, construction paper, markers, folders, poster board, composition books, poster paper, scissors, tape, glue, rulers, computer disks, protractors, compasses and calculators.

Purchases made at theme parks, entertainment complexes, public lodging establishments, or airports do not qualify for the exemption.

The committee substitute grants the Department of Revenue (DOR) authority to adopt rules through emergency rulemaking. An appropriation of \$226,284 is provided in nonrecurring General Revenue funds to the DOR to implement notice for the sales tax holiday. Any remaining funds shall revert and be reappropriated for the following year.

The committee substitute will take effect upon becoming law.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

¹ Section 212.08(5)(1), F.S.

² Section 212.054, F.S.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

The Revenue Estimating Conference estimates that the committee substitute will have a nonrecurring negative impact of \$25.9 million to General Revenue for FY 2012-13 and a nonrecurring negative impact of \$5.9 million to local governments.

B. Private Sector Impact:

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

C. Government Sector Impact:

According to the DOR, it will use the funds appropriated to notify dealers regarding which clothing items and school supplies will be exempt from sales tax. The DOR will use a Taxpayer Information Publication (TIP) to notify dealers. The DOR anticipates that it will need to print and mail TIPs to 556,000 sales and use tax dealers prior to the beginning of the sales tax holiday, with an additional print of 5,000 TIPs for mail to retail associations and others upon request.³

The total amount appropriated in this committee substitute of \$226,284 will be expended by the DOR for printing (\$80,056) and postage (\$146,228).

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

³ DOR Bill Analysis (December 13, 2011). On file with the Committee on Education Pre-K – 12.

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 Budget Subcommittee on Finance and Tax on February 23, 2012:

This committee substitute changes the dates of the sales tax holiday to August 3, 2012 through August 5, 2012.

- B. **Amendments:**

None.