

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 Appropriations Subcommittee on Finance and Tax

BILL: SB 362

INTRODUCER: Senator Bradley

SUBJECT: Hurricane Preparedness

DATE: April 2, 2014

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Baye</u>	<u>Hrdlicka</u>	<u>CM</u>	Favorable
2.	<u>Cote</u>	<u>Diez-Arguelles</u>	<u>AFT</u>	Favorable
3.	_____	_____	<u>AP</u>	_____

I. Summary:

SB 362 provides for a state and local sales tax exemption for a 12-day period from June 1 through June 12, 2014, for the purchase of items typically associated with hurricane preparedness and for the purchase of certain items used to protect a structure from possible damage resulting from a hurricane or tropical storm.

The bill appropriates \$221,400 from the General Revenue Fund to the Department of Revenue to administer this act.

The Revenue Estimating Conference estimated the total impact of this bill to be nonrecurring, negative \$3.6 million for Fiscal Year 2014-2015. The nonrecurring fiscal impact is estimated to be: General Revenue Fund (\$2.9 million); State Trust Funds (insignificant); and local (\$700,000).¹

II. Present Situation:

Chapter 212, F.S., levies a six percent sales and use tax on most sales of tangible personal property and a limited number of services. Section 212.08, F.S., provides for specific exemptions from the sales and use tax imposed by the chapter.

Local governments are authorized to levy several types of local discretionary sales surtaxes pursuant to s. 212.055, F.S. The rate of the discretionary sales surtax depends on the county, while some counties do not have a surtax.² Rates currently range from one-half percent to one

¹ Office of Economic and Demographic Research, *Revenue Estimating Conference*, <http://edr.state.fl.us/Content/conferences/revenueimpact/archives/2014/pdf/Impact1120.pdf> (last visited 1/29/14).

² Florida Department of Revenue, *Florida's Discretionary Sales Surtax*, <http://dor.myflorida.com/dor/forms/current/gt800019.pdf> (last visited Jan. 22, 2014).

and one-half percent.³ The surtax does not apply to any sales amount above \$5,000 on any item of tangible personal property.⁴

The Legislature has approved sales tax holidays for certain hurricane preparedness items in the past. In 2005, 2006, and 2007 the state established 12-day periods where items below certain thresholds were exempt from tax. The type and value of exempt items has varied. In 2005 and 2007 the hurricane preparedness holidays ran from June 1 through June 12, and in 2006 the holiday was from May 21 through June 1.

III. Effect of Proposed Changes:

The bill provides an exemption from state and local sales tax for specified items related to hurricane preparedness during a period of 12 consecutive days beginning on June 1, 2014. The timing of this period coincides with the start of hurricane season.⁵ The exempted items are:

- A portable, self-powered light source selling for \$20 or less.
- A portable, self-powered radio, two-way radio, or weather band radio selling for \$50 or less.
- A tarpaulin or other flexible waterproof sheeting selling for \$50 or less.
- A self-contained first-aid kit selling for \$30 or less.
- A ground anchor system or tie-down kit selling for \$50 or less.
- A gas or diesel fuel tank selling for \$25 or less.
- A package of AA-cell, C-cell, D-cell, 6-volt, or 9-volt batteries, excluding automobile and boat batteries, selling for \$30 or less.
- A nonelectric, food storage cooler selling for \$30 or less.
- A portable generator that is used to provide light or communications or preserve food in the event of a power outage selling for \$750 or less.

The bill also authorizes that the Department of Revenue to adopt rules to implement the exemption period of this bill.

The bill appropriates \$221,400 from the General Revenue Fund to the Department of Revenue for purposes of administering this bill.

This bill will take effect upon becoming a law.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

Subsection (b) of s. 18, Art. VII of the Florida Constitution provides that except upon approval of each house of the Legislature by two-thirds vote of the membership, the Legislature may not enact, amend or repeal any general law if the anticipated effect of

³ Florida Department of Revenue, *Discretionary Sales Surtax Information*, http://dor.myflorida.com/dor/forms/current/dr15dss_1113.pdf (last visited Jan. 22, 2014).

⁴ Section 212.054(2)(b)1., F.S.

⁵ National Oceanic & Atmospheric Administration, *Frequently Asked Questions*, <http://www.aoml.noaa.gov/hrd/tcfaq/G1.html> (last visited Jan. 22, 2014).

doing so would be to reduce the authority that municipalities or counties have to raise revenue in the aggregate, as such authority existed on February 1, 1989.

The bill provides a sales tax exemption that will reduce the municipalities' and counties' local option sales tax collections over a three-day period, thereby reducing their revenue-raising authority. However, an exemption from the mandates provision may apply because the reduction in local governments' revenue-raising authority may result in an insignificant fiscal impact.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

The Revenue Estimating Conference estimated the total impact of SB 362 to be nonrecurring, negative \$3.6 million for Fiscal Year 2014-2015. The nonrecurring impact is estimated to be: General Revenue Fund (\$2.9 million); State Trust Funds (insignificant); and local (\$700,000).⁶

B. Private Sector Impact:

During the period of June 1-12, 2014, the enumerated hurricane preparedness items can be purchased for six to seven and one-half percent less, depending on the local discretionary sales surtax rate. The timing of the tax-free period will provide an incentive for Floridians to save money and to prepare themselves prior to the usual heightened tropical storm and hurricane threat period.

C. Government Sector Impact:

The bill currently appropriates \$221,400 from the General Revenue Fund to the Department of Revenue for the purposes of administering this act.

Department of Revenue analysis projects that this bill will have an impact of \$280,912 to pay for printing and mailing tax information publications to the 566,000 sales and use tax dealers.⁷

⁶ Office of Economic and Demographic Research, *Revenue Estimating Conference*, <http://edr.state.fl.us/Content/conferences/revenueimpact/archives/2014/pdf/Impact1120.pdf> (last visited 1/29/14).

⁷ Department of Revenue, *Senate Bill 362 Agency Analysis* (Dec. 31, 2013).

VI. Technical Deficiencies:

The Department of Revenue analysis and Revenue Estimating Conference state that first aid kits are already exempt from sales tax under s. 212.08(2)(a), F.S.⁸

VII. Related Issues:

None.

VIII. Statutes Affected:**IX. This bill creates an undesignated section of Florida law. Additional Information:****A. Committee Substitute – Statement of Changes:**

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

B. Amendments:

None.

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

⁸ Department of Revenue, *Senate Bill 362 Agency Analysis* (Dec. 31, 2013); Revenue Estimating Conference, <http://edr.state.fl.us/Content/conferences/revenueimpact/archives/2014/pdf/page25-27.pdf> (last visited Jan. 22, 2014).