

**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.)

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Prepared By: The Professional Staff of the Appropriations Subcommittee on Finance and Tax

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BILL: CS/SB 534

INTRODUCER: Community Affairs Committee; and Senators Latvala and Diaz de la Portilla

SUBJECT: Tax Exemptions

DATE: April 8, 2014

REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Weidenbenner</u>	<u>Halley</u>	<u>AG</u>	<b>Favorable</b>
2.	<u>White</u>	<u>Yeatman</u>	<u>CA</u>	<b>Fav/CS</b>
3.	<u>Cote</u>	<u>Diez-Arguelles</u>	<u>AFT</u>	<b>Pre-meeting</b>
4.	_____	_____	<u>AP</u>	_____

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**Please see Section IX. for Additional Information:**

COMMITTEE SUBSTITUTE - Substantial Changes

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**I. Summary:**

CS/SB 534 creates an exemption from the sales tax for sales of therapeutic veterinary diets specifically formulated to aid in the management of illness and disease of a diagnosed health disorder in an animal and which are only available from a licensed veterinarian.

The Revenue Estimating Conference determined that the bill will reduce revenues deposited in the General Revenue Fund by \$2.3 million in Fiscal Year 2014-2015, and will have a recurring, negative impact of \$2.5 million to general revenue. In addition, the bill will reduce local government revenue by \$0.5 million in Fiscal Year 2014-2015, and will have a recurring, negative impact of \$0.6 million to local governments.

**II. Present Situation:**

**Sales Tax Exemptions for Veterinarians**

Section 212.08(2)(h), F.S., provides a sales tax exemption for veterinarians' purchases of commonly recognized substances possessing curative or remedial properties that are ordered and dispensed as treatment for a diagnosed health disorder by a prescription. Currently, veterinarians do not pay sales tax when they purchase antiseptics, absorbent cotton, gauze for bandages, lotions, vitamins, and worm remedies.

## **Therapeutic Diet Food for Animals**

Therapeutic diet food is specially formulated for use in the treatment of animals with specific diagnosed illnesses. These foods are sometimes referred to as “prescription diets,” even though they are not required by federal or state law to be dispersed only by a prescription. Therefore, therapeutic diet foods for animals are currently subject to sales tax regardless of naming or labeling.

### **III. Effect of Proposed Changes:**

**Section 1** amends s. 212.08(2), F.S., to create a sales tax exemption for sales of therapeutic veterinary diets to aid in the management of illness and disease of a diagnosed health disorder in an animal and which are only available from a licensed veterinarian.

**Section 2** provides that the bill takes effect July 1, 2014.

### **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 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, 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 determined that CS/SB 534 will reduce revenues deposited in the General Revenue Fund by \$2.3 million in Fiscal Year 2014-2015, and will have a recurring, negative impact of \$2.5 million to general revenue. In addition, the

bill will reduce local government revenue by \$0.5 million in Fiscal Year 2014-2015, and will have a recurring, negative impact of \$0.6 million to local governments.<sup>1</sup>

**B. Private Sector Impact:**

Animal owners will be relieved of sales taxes on therapeutic veterinary diets for animals.

**C. Government Sector Impact:**

The Department of Revenue estimates that implementation of this bill will result in an insignificant impact to its operations.<sup>2</sup>

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Statutes Affected:**

This bill substantially amends section 212.08 of the Florida Statutes.

**IX. Additional Information:**

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

**CS by Community Affairs on March 11, 2014:**

Removes the provision that would have extended sales tax exemptions on common household remedies to animals; and clarifies that the proposed sales tax exemption on diet foods for animals applies to therapeutic diets that are only available from a licensed veterinarian.

**B. Amendments:**

None.

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

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<sup>1</sup> Revenue Estimating Conference, *Therapeutic Pet Foods Analysis* (Jan. 17, 2014).

<sup>2</sup> Department of Revenue, *Senate Bill 534 Analysis* (Jan. 2, 2014).