

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: CS/HB 567 Hurricane Preparedness
SPONSOR(S): Finance & Tax Subcommittee and Gaetz
TIED BILLS: **IDEN./SIM. BILLS:** SB 362

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Finance & Tax Subcommittee	18 Y, 0 N, As CS	Flieger	Langston
2) Economic Development & Tourism Subcommittee	11 Y, 0 N	Duncan	West
3) Appropriations Committee			

SUMMARY ANALYSIS

CS/HB 567 establishes a sales tax exemption for specified items related to hurricane preparedness beginning on June 1, 2014, and ending on June 12, 2014. 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; and
- 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 provides emergency rule-making authority to the Department of Revenue.

The bill appropriates \$280,916 from the General Revenue Fund to the Department of Revenue for purposes of administering this bill.

This bill provides that the act shall take effect upon becoming a law.

The Revenue Estimating Conference met on November 20, 2013, and estimated the impact of this bill to the state will be negative \$2.9 million, with an additional negative impact of \$0.7 million to local governments in fiscal year 2014-2015, only.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Present Situation

The state of Florida levies a 6 percent sales and use tax on the sale or rental of most tangible personal property, admissions, storage, rentals of transient accommodations, rental of commercial real estate, and a limited number of services. Chapter 212, F.S., contains statutory provisions authorizing the levy and collection of Florida's sales and use tax, as well as the exemptions and credits applicable to certain items or uses under specified circumstances. There are currently more than 200 different exemptions.¹ Sales tax is added to the price of the taxable goods or service and collected from the purchaser at the time of sale.

In addition to the state tax, s. 212.055, F.S., authorizes counties to impose eight local discretionary sales surtaxes on all transactions occurring in the county subject to the state tax imposed on sales, use, services, rental, admissions, and other transactions by ch. 212, F.S., and on communications services as defined in ch. 202, F.S.² The discretionary sales surtax is based on the rate in the county where the taxable goods or services are sold, or delivered into, and is levied in addition to the state sales and use tax of 6 percent. The surtax only applies to \$5,000 of the sales price for any item of tangible personal property. The cap does not limit the tax on the sale of any service, rentals of real property, or transient rentals.

In 2004, the Florida Office of Insurance Regulation estimated a gross probable loss of over \$25 billion due to 4 hurricanes in 2004 and \$10.8 billion due to 4 in 2005.³ Tropical Storm Fay was estimated to have resulted in \$242 million of damage in 2008.⁴

The Florida Division of Emergency Management (DEM) recommends having a plan and preparing your home to prevent damage. Additionally, DEM recommends having a disaster supply kit with items such as a battery operated radio, flashlight, batteries, and first-aid kit.⁵

Proposed Changes

CS/HB 567 establishes a sales tax exemption for specified items related to hurricane preparedness beginning on June 1, 2014, and ending on June 12, 2014. The timing of this period coincides with the start of hurricane season.⁶ 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;

¹ For a list of exemptions and history, see REC, [2013 Florida Tax Handbook](#). Exemptions are estimated to total about \$10 billion.

² The tax rates, duration of the surtax, method of imposition, and proceed uses are individually specified in s. 212.055, F.S. General limitations, administration, and collection procedures are set forth in s. 212.054, F.S.

³ Florida Office of Insurance Regulation, *Florida Office of Insurance Regulation Hurricane Summary Data*, <http://www.floir.com/siteDocuments/HurricaneSummary20042005.pdf> (last visited Jan. 22, 2014).

⁴ Florida Office of Insurance Regulation, *Florida Office of Insurance Regulation Hurricane Summary Data*, <http://www.floir.com/siteDocuments/HurricaneSummary2008.pdf> (last visited Feb 25, 2014)

⁵ Florida Division of Emergency Management, *Disaster Supply Kit*, <http://www.floridadisaster.org/supplykit.htm> (last visited Jan. 22, 2014).

⁶ National Oceanic & Atmospheric Administration, *Frequently Asked Questions*, <http://www.aoml.noaa.gov/hrd/tcfaq/G1.html> (last visited Jan. 22, 2014). The Atlantic Hurricane Season runs from June 1st through November 30th. National Oceanic & Atmospheric Administration, National Weather Service, National Hurricane Center, <http://www.nhc.noaa.gov/> (last visited March 13, 2014).

- 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 provides that the Department of Revenue has emergency rulemaking authority to implement the exemption period of this bill.

The bill appropriates \$280,912 from the General Revenue Fund to the Department of Revenue for purposes of administering this bill.

This bill provides that the act shall take effect upon becoming a law.

B. SECTION DIRECTORY:

Section 1. Exempting certain items from the sales tax for a 12 day period in June 2014.

Section 2. Providing an appropriation to the Department of Revenue.

Section 3. Providing an effective date.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

The Revenue Estimating Conference met on November 20, 2013, and estimated the impact of this bill to General Revenue will be negative \$2.9 million, and negative insignificant to state trust funds for FY 2014-15 only.

2. Expenditures:

The Department of Revenue estimates that it will cost \$280,912 to administer this bill.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

The Revenue Estimating Conference estimated the impact of this bill to local governments will be negative \$0.7 million for FY 2014-15 only.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Floridians will be encouraged to purchase hurricane preparedness items during the proposed exemption period.

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, of the Florida Constitution may apply because this bill reduces the revenues from discretionary sales taxes levied by local governments; however, an exemption may apply as the negative impact to local governments is expected to be insignificant.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

The bill provides emergency rule-making authority to the Department of Revenue.

C. DRAFTING ISSUES OR OTHER COMMENTS:

First aid kits, regardless of cost, are currently exempted from sales tax by s. 212.08(2)(a), F.S.

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES

On March 6, 2014, the Finance and Tax Subcommittee adopted an amendment increasing the administrative appropriation to the Department of Revenue and providing emergency rulemaking authority.

This analysis is drafted to the amended bill.