

**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 Committee on Agriculture

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BILL: SB 398

INTRODUCER: Senator Stargel

SUBJECT: Agricultural Tax Exemptions

DATE: February 16, 2015

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

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Akhavein	Becker	AG	<b>Favorable</b>
2.	_____	_____	FT	_____
3.	_____	_____	AP	_____

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**I. Summary:**

SB 398 expands the sales tax exemption for certain farm equipment to include:

- Equipment used in the storage of raw products on a farm;
- Food purchased for all aquaculture species that are raised for commercial purposes;
- Irrigation equipment, including replacement parts and accessories;
- Repairs of power farm equipment and irrigation equipment;
- Trailers uses in agricultural production and transportation of farm products; and
- Stakes used by a farmer to support plants during agricultural production.

**II. Present Situation:**

Florida agriculture contributes an economic impact of more than \$100 billion to the state. According to the Florida Farm Bureau, in many segments of the industry, profits are very tight and markets are unpredictable. Currently, Florida’s farmers are at a competitive disadvantage to neighboring states that have broad sales tax exemptions for items used in agricultural production. Georgia, Alabama, and other southeastern states also have exemptions for parts and repairs of farm equipment. This is especially pertinent in North Florida where farmers are likely to buy parts and take their equipment to be repaired across state lines, potentially having a negative impact on related businesses in Florida.

Chapter 212, F.S., contains the 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. Florida provides a sales tax exemption for certain farm equipment. In order to qualify, the equipment must be “power farm equipment” used exclusively on a farm or in a forest for the agricultural production of the crops or for fire prevention and suppression work with respect to such crops. The exemption applies to the “sale, rental, lease,

use, consumption, or storage for use in this state of power farm equipment”; the provision does not exempt the repair of power farm equipment.

“Power farm equipment” is limited to moving or stationary equipment that contains within itself the means for its own propulsion or depends on an external power source to perform its functions. Sales of component parts of power farm equipment are not exempt unless the component part is, by itself, power farm equipment. For example, the sale of a complete irrigation supply system would be exempt as the sale of power farm equipment; however, the sale of a pipe that would be used to update an existing system is not exempt.

“Agricultural production” is limited to practices necessary to accomplish the production of plants and animals through the harvest phase. Power farm equipment used in activities that occur after harvesting, such as processing, is not exempt.

According to the Florida Farm Bureau, the bill’s sales tax exemptions will help reduce fixed costs for farmers, helping boost profitability, encourage growth, and incentivize more efficient irrigation practices.

### III. Effect of Proposed Changes:

**Section 1** amends s. 212.02, F.S., to redefine the term “livestock” to include all aquaculture species that are certified under ch. 597, F.S., and raised for commercial purposes. This would result in a sales tax exemption for food purchased for all aquaculture species that are raised for commercial purposes. It redefines “agricultural production” to include storage of raw products on a farm. The effect of this inclusion is the creation of a new sales tax exemption on the sale, rental, lease, use, storage, or repair of power farm equipment, including replacement parts and accessories, used exclusively on a farm or in a forest to store raw products on a farm.

**Section 2** amends s. 212.08, F.S., to create a new tax exemption on:

- Irrigation equipment, including replacement parts and accessories for power farm equipment and irrigation equipment which are used exclusively on a farm or in a forest in the agricultural production of crops and products;
- Repairs of power farm equipment and irrigation equipment;
- The sale price below \$20,000 of a trailer weighing 12,000 pounds or less and purchased by a farmer for exclusive use in agricultural production or to transport farm products from his or her farm to the place where the farmer transfers ownership of the farm product to another. The bill specifies that this exemption is not forfeited by using a trailer to transport the farmer’s farm equipment, and that this exemption does not apply to the lease or rental of a trailer; and
- Stakes used by a farmer to support plants during agricultural production.
- These stakes are used primarily by tomato and pepper growers.

**Section 3** provides that this act shall take effect July 1, 2015.

**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 sales tax exemptions that will reduce municipalities' and counties' sales tax collections, thereby reducing their revenue-raising authority.

**B. Public Records/Open Meetings Issues:**

None.

**C. Trust Funds Restrictions:**

None.

**V. Fiscal Impact Statement:****A. Tax/Fee Issues:**

The Revenue Estimating Conference has determined that this bill will reduce General Revenue by \$10.3 million in Fiscal Year 2015-2016, with a negative \$11.0 million recurring impact on General Revenue. The bill will also reduce local governments' revenues by \$2.1 million in Fiscal Year 2015-2016, with a negative \$2.4 million recurring impact on local governments.

**B. Private Sector Impact:**

The bill appears to have a direct positive fiscal impact on the private sector by reducing the amount of sales tax that certain agricultural producers must pay for specified agricultural products or services.

**C. Government Sector Impact:**

See Tax/Fee Issues section above.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Statutes Affected:**

This bill amends the following sections of the Florida Statutes: 212.02, 212.08

**IX. 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.

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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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