

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 Committee on Finance and Tax

BILL: SB 398

INTRODUCER: Senator Stargel

SUBJECT: Agricultural Tax Exemptions

DATE: March 13, 2015

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Akhvein</u>	<u>Becker</u>	<u>AG</u>	Favorable
2.	<u>Babin</u>	<u>Diez-Arguelles</u>	<u>FT</u>	Favorable
3.	_____	_____	<u>AP</u>	_____

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.
- Irrigation equipment, including replacement parts and accessories.
- Repairs of power farm equipment and irrigation equipment.
- Trailers used in agricultural production and transportation of farm products.
- Stakes used by a farmer to support plants during agricultural production.

The bill also expands the definition of “livestock” to include aquaculture species certified under chapter 597, which will exempt sales of these aquaculture species, as well as food for these species.

The Revenue Estimating Conference has determined that the bill will reduce General Revenue receipts by \$10.3 million in Fiscal Year 2015-2016, with a recurring impact of \$11 million. The bill will reduce local revenues by \$2.1 million in Fiscal Year 2015-2016, with a recurring impact of \$2.4 million.

The bill takes effect on July 1, 2015.

II. Present Situation:

Sales Tax Exemption for Power Farm Equipment

Florida exempts “power farm equipment” from sales tax when the equipment is used exclusively on a farm or in a forest for the agricultural production of crops or for fire prevention and

suppression work with respect to such crops.¹ The exemption does not apply to the repair of power farm equipment.

“Power farm equipment” is 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.² Sales of component parts of power farm equipment are not exempt unless the component part is, by itself, power farm equipment.³ 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.⁴

“Agricultural production” is limited to practices necessary to accomplish the production of plants and animals through the harvest phase.⁵ Power farm equipment used in activities that occur after harvesting, such as processing, is not exempt.

Livestock

Florida exempts the gross proceeds from the sale of livestock from sales tax.⁶ “Livestock” includes all animals of the equine, bovine, or swine class, including goats, sheep, mules, horses, hogs, cattle, ostriches, and other grazing animals raised for commercial purposes, as well as fish raised for commercial purposes.⁷

Florida also exempts feed for livestock from the sales tax.⁸

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. The term “agricultural production” is also redefined to include the storage of raw products on a farm.

Section 2 amends s. 212.08, F.S., to expand the current exemption for farm equipment to include:

- Irrigation equipment.
- Replacement parts and accessories for power farm equipment and irrigation equipment.
- 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 exemption is not forfeited by using a trailer to transport the farmer’s farm equipment. The exemption does not apply to the lease or rental of a trailer.

¹ Section 212.08(3), F.S.

² Section 212.02(30), F.S.

³ See Rule 12A-1.087(3)(b), F.A.C.

⁴ *Id.*

⁵ Section 212.02(32), F.S.

⁶ Section 212.07(5)(a), F.S.

⁷ Section 212.02(29), F.S.

⁸ Section 212.08(7)(d), F.S.

Section 2 also exempts from sales tax stakes used by a farmer to support plants during agricultural production.

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

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

The mandates provisions of Art. VII, Section 18, of the Florida Constitution are implicated because this bill reduces the authority of municipalities and counties to raise revenue; however, the amount of the reduction is estimated to be insignificant; therefore, the bill is exempt from the mandates provisions.

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. 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.

B. Private Sector Impact:

The bill reduces the amount of sales tax that agricultural producers must pay for specified products or services.

C. Government Sector Impact:

None.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Statutes Affected:

This bill amends the following sections of the Florida Statutes: 212.02 and 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.

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