

**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 Finance and Tax

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BILL: CS/SB 1264

INTRODUCER: Agriculture Committee and Senator Simpson

SUBJECT: Sales Tax Exemptions for Agricultural Equipment

DATE: February 5, 2016

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

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Akhavein</u>	<u>Becker</u>	<u>AG</u>	<u>Fav/CS</u>
2.	<u>Gross</u>	<u>Diez-Arguelles</u>	<u>FT</u>	<u>Favorable</u>
3.	_____	_____	<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 1264 increases the portion of the sales price of a trailer that is exempt from sales and use tax from below \$20,000 to below \$25,000 when purchased by a farmer for exclusive use in agricultural production or to transport farm products. It also expands the sales and use tax exemption for certain farm equipment to include:

- Fencing materials used in agricultural production on lands classified as agricultural under s. 193.461, F.S., and
- Compressed or liquefied oxygen used in aquaculture production.

The Revenue Estimating Conference estimates that CS/SB 1264 will reduce General Revenue receipts by \$12.4 million in Fiscal Year 2016-2017, with a recurring impact of \$13.5 million. CS/SB 1264 will reduce local government revenues by \$2.8 million in Fiscal Year 2016-2017, with a recurring impact of \$3 million.<sup>1,2,3</sup>

The bill takes effect July 1, 2016.

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<sup>1</sup> Florida Revenue Estimating Conference, *CS/SB 1264*, 407-417, (Jan. 29, 2016) available at [http://edr.state.fl.us/Content/conferences/revenueimpact/archives/2016/\\_pdf/page407-417.pdf](http://edr.state.fl.us/Content/conferences/revenueimpact/archives/2016/_pdf/page407-417.pdf) (last visited Feb. 4, 2016).

<sup>2</sup> Florida Revenue Estimating Conference, *Proposed Language (Trailers)*, (Jan. 22, 2016) available at [http://edr.state.fl.us/Content/conferences/revenueimpact/archives/2016/\\_pdf/page86-87.pdf](http://edr.state.fl.us/Content/conferences/revenueimpact/archives/2016/_pdf/page86-87.pdf) (last visited Feb. 4, 2016).

<sup>3</sup> Florida Revenue Estimating Conference, *Proposed Language (Liquefied or Compressed Oxygen)*, (Nov. 6, 2015) available at [http://edr.state.fl.us/Content/conferences/revenueimpact/archives/2016/\\_pdf/page130-131.pdf](http://edr.state.fl.us/Content/conferences/revenueimpact/archives/2016/_pdf/page130-131.pdf) (last visited Feb. 4, 2016).

## II. Present Situation:

Florida levies a six percent sales and use tax on the sale or rental of most tangible personal property, admissions,<sup>4</sup> transient rentals,<sup>5</sup> commercial real estate rentals,<sup>6</sup> 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. Sales tax is added to the price of taxable goods or services and the tax is collected from the purchaser at the time of sale.

In addition to the state sales and use tax, s. 212.055, F.S., authorizes counties to impose eight local discretionary sales surtaxes. A surtax applies to "all transactions occurring in the county which transactions are subject to the state tax imposed on sales, use, services, rental, admissions, and other transactions by this chapter, and on communications services as defined in ch. 202."

Section 212.08(3)(b), F.S., exempts from the sales and use tax the portion of the sales price of a trailer below \$20,000 and that weigh 12,000 pounds or less that are purchased by a farmer. The trailers must be exclusively for use in agricultural production or to transport farm products from the farm to the place where the farmer transfers ownership of the product or products.

Chapter 212, F.S., also exempts specified items for agricultural use and certain nets from the sales and use tax.

## III. Effect of Proposed Changes:

**Section 1** amends s. 212.08, F.S., by increasing the portion of the sales price of a farm trailer that is exempt from sales and use tax from below \$20,000 to below \$25,000 when purchased by a farmer for exclusive use in agricultural production or to transport farm products from the farm to the place where the farmer transfers ownership of the product or products.

The bill also expands the list of agricultural items that are exempt from the sales and use tax to include:

- Fencing materials used in agricultural production on lands classified as agricultural under s. 193.461, F.S., and
- Compressed or liquefied oxygen used in aquaculture production.

**Section 2** provides that this act shall take effect July 1, 2016.

## IV. Constitutional Issues:

### A. Municipality/County Mandates Restrictions:

The mandates provision of Art. VII, Section 18, of the Florida Constitution may apply because the bill reduces the authority of municipalities and counties to raise revenue.

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<sup>4</sup> Section 212.04, F.S.

<sup>5</sup> Section 212.03, F.S.

<sup>6</sup> Florida Department of Revenue, *Who must pay tax? Partial list of taxable business activities*, available at [http://dor.myflorida.com/dor/taxes/sales\\_tax.html](http://dor.myflorida.com/dor/taxes/sales_tax.html) (last visited Oct. 2, 2015).

However, the bill appears to be exempt from the mandate provision because it has an insignificant fiscal impact. The Revenue Estimating Conference estimates that this bill reduces the authority that counties have to raise revenue through local option sales taxes by \$1.2 million, with a recurring impact of \$1.3 million, in Fiscal Year 2016-2017; therefore, the bill is exempt from the mandates provisions.<sup>7</sup>

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

None.

**C. Trust Funds Restrictions:**

None.

**V. Fiscal Impact Statement:**

**A. Tax/Fee Issues:**

The Revenue Estimating Conference estimates that CS/SB 1264 will reduce General Revenue receipts by \$12.4 million in Fiscal Year 2016-2017, with a recurring impact of \$13.5 million. CS/SB 1264 will reduce local government revenues by \$2.8 million in Fiscal Year 2016-2017, with a recurring impact of \$3 million.<sup>8,9,10</sup>

**B. Private Sector Impact:**

The bill would reduce the amount of sales tax that agricultural producers must pay for specified products.

**C. Government Sector Impact:**

The Department of Revenue determined that the bill does not present difficulty in implementation, administration, or enforcement.<sup>11</sup>

**VI. Technical Deficiencies:**

None.

<sup>7</sup> An insignificant fiscal impact is the amount not greater than the average statewide population for the applicable fiscal year times \$0.10. See Florida Senate Committee on Community Affairs, *Interim Report 2012-115: Insignificant Impact*, (Sept. 2011), available at <http://www.flsenate.gov/PublishedContent/Session/2012/InterimReports/2012-115ca.pdf> (last visited Oct. 6, 2015). Based on the Demographic Estimating Conference's population estimate adopted on December 1, 2015, the insignificant fiscal impact amount for Fiscal Year 2016-2017, is \$2 million or less. The conference packet is available at <http://edr.state.fl.us/Content/conferences/population/ConferenceResults.pdf> (last visited Jan. 19, 2015).

<sup>8</sup> Florida Revenue Estimating Conference, *CS/SB 1264*, 407-417, (Jan. 29, 2016) available at <http://edr.state.fl.us/Content/conferences/revenueimpact/archives/2016/pdf/page407-417.pdf> (last visited Feb. 4, 2016).

<sup>9</sup> Florida Revenue Estimating Conference, *Proposed Language (Trailers)*, (Jan. 22, 2016) available at <http://edr.state.fl.us/Content/conferences/revenueimpact/archives/2016/pdf/page86-87.pdf> (last visited Feb. 4, 2016).

<sup>10</sup> Florida Revenue Estimating Conference, *Proposed Language (Liquefied or Compressed Oxygen)*, (Nov. 6, 2015) available at <http://edr.state.fl.us/Content/conferences/revenueimpact/archives/2016/pdf/page130-131.pdf> (last visited Feb. 4, 2016).

<sup>11</sup> Florida Department of Revenue, *Senate Bill 1264 Fiscal Analysis* (Jan. 7, 2015) available at <http://abar.laspbs.state.fl.us/ABAR/Attachment.aspx?ID=8510> (last visited Jan. 28, 2016).

**VII. Related Issues:**

None.

**VIII. Statutes Affected:**

This bill amends section 212.08 of the Florida Statutes.

**IX. Additional Information:**

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

**CS by Agriculture on January 19, 2016:**

The committee substitute clarifies the definition of fencing materials.

- B. **Amendments:**

None.