

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 Military and Veterans Affairs, Space, and Domestic Security

BILL: SB 1202

INTRODUCER: Senator Montford

SUBJECT: Veterans' Annual Sales Tax Holiday

DATE: March 13, 2017

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Sanders	Ryon	MS	Pre-meeting
2.			AFT	
3.			AP	

I. Summary:

SB 1202 establishes an annual, one-day sales tax holiday for veterans on November 11. During the holiday, clothing items under \$60 are exempt from the tax levied under ch. 212, F.S. A retailer may elect not to participate if less than five percent of the retailer's gross sales of tangible personal property in the prior calendar year is comprised of items that would be exempt by the bill.

The Revenue Estimating Conference estimates that the bill reduces General Revenue receipts by \$1.4 million in Fiscal Year 2017-2018, with a \$1.4 million recurring reduction. It reduces local revenue by \$0.3 million in Fiscal Year 2017-2018, with a \$0.3 million recurring reduction.

The bill takes effect on July 1, 2017.

II. Present Situation:

Florida Sales and Use Tax

Florida levies a six percent state sales and use tax on the sale or rental of most tangible personal property, admissions, rentals of transient accommodations, rental of commercial real estate, and a limited number of services.¹ In addition to the six percent state sales tax, Florida law authorizes counties to levy discretionary sales surtaxes.² 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.

Chapter 212, F.S., contains statutory provisions that authorize the levy and collection of Florida's sales and use tax, as well as the exemptions and credits applicable to certain items or

¹ Chapter 212, F.S.

² Sections 212.054 and 212.055, F.S.

uses under specified circumstances. There are currently more than 200 different exemptions, exclusions, deductions, and credits from sales and use tax.³

Since 1998, the Legislature has enacted 19 temporary periods (commonly called “sales tax holidays”) during which certain household items, household appliances, clothing, footwear, books, and/or school supply items were exempted from the state sales tax and county discretionary sales surtaxes. The Florida Legislature has not previously authorized a sales tax holiday for veterans.

Opportunities for veterans to shop tax free currently exist at eight of Florida’s 20 major military installations that have a military exchange on base.⁴ Military exchanges sell consumer goods and services tax free. However, not all veterans have exchange privileges. Recently, the Department of Defense announced a policy change in January 2017 that will extend limited online military exchange shopping privileges to all honorably discharged veterans starting on November 11, 2017.⁵

Proof of Veteran Status

Florida has the third largest population of veterans in the nation after California and Texas with more than 1.5 million veterans.⁶ Currently, there is no single veteran identification card that is available to all veterans and that can be used as proof of veteran status.

There are various forms of identification issued by the Federal government and the state of Florida that can be used as proof of veteran status. The most common types of identification include the following:

- **DD Form 2 (Retired), Uniformed Services ID:**⁷ This card is issued by the U.S. Department of Defense (DoD) to retired members of the U.S. Uniformed Services⁸ entitled to retired pay,⁹ members on the Temporary Disability Retired List, and members on the Permanent Disability Retired List;¹⁰
- **DD Form 2 (Reserve Retired), Uniformed Services ID:** This card is issued by the DoD to retired members of the Reserves and the National Guard who are under the age of 60;¹¹

³ Florida Revenue Estimating Conference, *Florida Tax Handbook*, (2016), available at

<http://edr.state.fl.us/Content/revenues/reports/tax-handbook/taxhandbook2016.pdf> (last visited March 9, 2017).

⁴ Military Exchange store locator, available at: <https://www.shopmyexchange.com/exchange-stores> (last visited January 30, 2017).

⁵ U.S. Department of Defense press release, *Department of Defense Extends Online Military Exchange Shopping Privileges to Veterans*, available at <https://www.defense.gov/News/News-Releases/News-Release-View/Article/1049503/department-of-defense-extends-online-military-exchange-shopping-privileges-to-v> (last visited January 30, 2017).

⁶ Florida Department of Veterans’ Affairs, *Our Veterans*, available at: <http://floridavets.org/our-veterans/>

⁷ The design of the Uniformed Services ID cards include a picture, branch affiliation, paygrade/rank, expiration date, Department of Defense identification number, date of birth, benefits number, blood type, Geneva Convention category, and date of issue. See Department of Defense, Common Access Card, *Uniformed Services ID Card*, available at <http://www.cac.mil/uniformed-services-id-card/> (last visited March 9, 2017).

⁸ The uniformed services includes the Army, Marines, Navy, Air Force, Coast Guard, Public Health Service, and the National Oceanic and Atmospheric Administration. See 10 U.S.C. §101(a)(5).

⁹ This includes retired members of the Reserves and National Guard age 60 or above who are entitled to retired pay.

¹⁰ *Supra* note 7.

¹¹ *Id.*

- **DD Form 2765, Uniformed Services ID and Privilege Card:** This card is issued by the DoD to Medal of Honor recipients, 100-percent disabled veterans, former members in receipt of retired pay, and other limited benefits-eligible categories described in DoD policy;¹²
- **DD Form 214, Certificate of Release or Discharge from Active Duty:** This form is issued by the DoD to each military servicemember upon separation from active duty service. The DD Form 214 contains the veteran's dates of service, last duty assignment, pay grade and rank, awards received, and characterization of service (i.e., honorable, general under honorable conditions, dishonorable, etc.).¹³
- **100-percent Disabled Veterans State ID Card:** This card is issued by the Florida Department of Veterans' Affairs to any Florida veteran who has a 100-percent total and permanent service-connected disability rating from the U.S. Department of Veterans Affairs or the DoD;¹⁴
- **Veteran Designation on Florida Driver License or ID Card:** Florida veterans can receive a capital "V" printed on a driver license or ID card issued by the Department of Highway Safety and Motor Vehicles to indicate an individual's veteran status.¹⁵

III. Effect of Proposed Changes:

The bill establishes an annual, one-day sales tax holiday on November 11 for veterans purchasing clothing items with a sales price of \$60 or less. The bill defines the term "veteran" to mean a person who served in the active military, naval, or air service who has been honorably discharged or released or who later received an upgraded honorable discharge or release.

Clothing eligible for the tax exempt holiday includes:

- Any article of wearing apparel intended to be worn on or about the human body, excluding watches, watchbands, jewelry, umbrellas, and handkerchiefs; and
- All footwear, excluding skis, swim fins, roller blades, and skates.

To be eligible for the sales tax holiday, a veteran must show proof of military status at the time of purchase by presenting one of the following forms of identification:

- DD Form 2, Uniformed Services Identification Card, issued by the U.S. Department of Defense (DoD);
- DD Form 2765, Uniformed Services Identification and Privilege Card, issued by the DoD;
- DD Form 214, displaying the term "Honorable," issued by the DoD;
- Veteran identification card, issued by the Florida Department of Veterans' Affairs under s. 295.17, F.S.;
- A valid driver license or identification card with a "V" or the word "veteran" designation on it issued by the Department of Highway Safety and Motor Vehicles (DHSMV); or
- Any other proof of veteran status, issued by the DHSMV.

¹² Other groups eligible for issuance of a DoD Form 2765 include Transitional Health Care Members, full-time paid personnel of the USO when serving outside the U.S., United Seaman's Service personnel when serving outside the U.S., officers and crews of MSC Vessels deployed to foreign countries, Select Employer Support of the Guard and Reserve personnel, and other benefits-eligible categories as described in Department of Defense policy. See supra note 7.

¹³ Department of Defense Instruction 1336.01 *Certificate of Release or Discharge from Active Duty (Dec. 29, 2014)*

¹⁴ See s. 295.17, F.S.

¹⁵ See ss. 322.14(1)(d) and 322.051(8)(b), F.S.

Retailers that make tax-exempt sales pursuant to the provisions of this bill must report to the Department of Revenue (DOR) the amount of its gross sales on the retailer's sales and use tax return.

The bill allows a retailer to opt out of the sales tax holiday if less than five percent of the retailer's gross sales of tangible personal property in the prior calendar year is comprised of items that would be exempt under the bill. If the retailer chooses not to participate in the tax holiday, by August 1, annually, the retailer must notify the DOR in writing and post a copy of the notice in a conspicuous location at the place of business.

The DOR is authorized to adopt rules, including emergency rules, to implement the provisions of this bill.

The bill takes effect on July 1, 2017.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

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 the bill reduces General Revenue receipts by \$1.4 million in Fiscal Year 2017-18, with a \$1.4 million recurring reduction.¹⁶ It reduces local revenue by \$0.3 million in Fiscal Year 2017-2018, with a \$0.3 million recurring reduction.¹⁷

B. Private Sector Impact:

Indeterminate, but positive. Individuals eligible for the sales tax holiday will see a reduction in the cost of purchasing clothing items.

¹⁶ Revenue Estimating Conference, *Annual Sales Tax Holiday for Veterans, Veteran's Day, Nov 11: Proposed Language*, January 27, 2017.

¹⁷ *Id.*

C. Government Sector Impact:

The Department of Revenue (DOR) estimates the cost associated with notifying businesses of the sales tax exemption, by printing and mailing a Tax Information Publication (TIP), will be approximately \$133,128.¹⁸

Beginning September 2018, and each year thereafter, the DOR will mail a TIP to businesses as a reminder of the sales tax holiday at an estimated cost of \$121,398.¹⁹ The cost to send the TIP in subsequent years may need to be adjusted to include potential increases in the postage and vendor print rates.²⁰

VI. Technical Deficiencies:

None.

VII. Related Issues:

According to the Department of Revenue, it may be difficult for retailers to determine if they are eligible to opt out of the holiday.²¹ As currently written, the bill requires retailers to calculate if less than 5 percent of its sales were qualifying clothing sold to qualifying veterans in the last calendar year. It may be difficult for retailers to determine if a veteran purchased eligible clothing items during the previous calendar year.²²

VIII. Statutes Affected:

This bill creates an unnumbered section of Florida law.

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.

¹⁸ Fla. Dep't of Revenue, *Committee Substitute for House Bill 263 Fiscal Analysis (Companion to SB 1202)* (March 1, 2017) (on file with the Senate Committee on Military and Veterans Affairs, Space, and Domestic Security).

¹⁹ Id.

²⁰ Id.

²¹ Id.

²² E-mail correspondence from DOR on March 10, 2017 (on file with the Senate Committee on Military and Veterans Affairs, Space, and Domestic Security).