

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based only on the provisions contained in the legislation as of the latest date listed below.)

Date: April 1, 1998 Revised: _____

Subject: Sales Tax Exemption/Farm Equipment

	<u>Analyst</u>	<u>Staff Director</u>	<u>Reference</u>	<u>Action</u>
1.	<u>Keating</u>	<u>Beggs</u>	<u>WME</u>	<u>Favorable</u>
2.	<u>Keating</u>	<u>Smith</u>	<u>WM</u>	<u>Favorable/CS</u>
3.	_____	_____	<u>CM</u>	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____

I. Summary:

This bill extends the existing 3 percent partial sales tax exemption to farm equipment that is power-driven and used in the plowing, planting, cultivating, or harvesting of products by agricultural industries. Also, the bill broadens the partial tax exemption from farm equipment used exclusively “by a farmer on a farm owned, leased, or sharecropped by the farmer” to farm equipment used exclusively “on a farm or in a forest.” In addition, the 3 percent partial exemption is extended to farm equipment used for fire prevention and suppression work with respect to crops or products. The rental of such farm equipment is taxed at the 3 percent rate. The bill provides that in the event that full effect, as provided in s. 1.04, F.S., cannot be given to the amendments to s. 212.08(3), F.S., contained in this act and those contained in SB 1696 or similar legislation, the amendments contained in this act shall take precedence.

This bill substantially amends sections 212.02 and 212.08 of the Florida Statutes.

II. Present Situation:

Subsection 212.08(3), Florida Statutes, provides a partial exemption from sales tax for certain farm equipment, effectively lowering the sales tax rate from the 6 percent standard tax rate to 3 percent. To receive this partial exemption an item must be: 1) self-propelled or power-drawn, and 2) used exclusively by a farmer on a farm owned, leased, or sharecropped by the farmer in the plowing, planting, cultivating, or harvesting of crops. The rental of such farm equipment is taxable at the rate of 6 percent.

The Florida Statutes do not contain definitions for self-propelled or power-drawn farm equipment. Rule 12A-1.087(8), F.A.C., defines self-propelled or power-drawn equipment to include tractors, haybalers, plows, movers and loading machines. Subsection (9) provides that

tractors and plows used exclusively in planting and cultivating trees are taxable at the rate of 3 percent. The rule also provides that tractors and plows used exclusively in fire prevention and suppression on farms are taxable at the rate of 3 percent. The section of the rule dealing with fire prevention and suppression, however, has been identified by the Department of Revenue as exceeding their authority and is scheduled for repeal July 1, 1999.

Section 1.04, F.S., provides that for acts passed during the same legislative session and amending the same statutory provision, full effect should be given to each, if possible.

III. Effect of Proposed Changes:

The bill extends the existing 3 percent partial sales tax exemption to certain types of equipment used in other sectors of the agricultural industry. The bill accomplishes this by modifying the existing partial sales tax exemption in the following three ways:

- Adds power-driven equipment to farm equipment eligible for sales tax exemptions;
- Expands the qualifying use of the farm equipment from use by a farmer on a farm owned, leased, or sharecropped by the farmer to use on a farm or in a forest or for fire prevention and suppression work with respect to crops or products; and
- Expands eligible farming activities beyond those relating to crops to products produced by agricultural industries generally, as currently defined in s. 570.02(1), F.S., including: “aquaculture, horticulture, floriculture, viticulture, forestry, dairy, livestock, poultry, bees and any and all forms of farm products and farm production.”

The bill also clarifies the types of equipment which are eligible by providing definitions for self-propelled, power-drawn, power-driven farm equipment, and forest. Sales tax on rentals of these types of equipment becomes taxable at the 3 percent level.

The bill provides that in the event that full effect, as provided in s. 1.04, F.S., cannot be given to the amendments to s. 212.08(3), F.S., contained in the act and those contained in SB 1696 or similar legislation, the amendments contained in this act shall take precedence.

The bill takes effect October 1, 1998.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

This bill initially falls under subsection (b) of section 18 of Article VII, Florida Constitution. Subsection (b) requires a two-thirds vote of the membership of each house in order to enact a general law reducing the authority that municipalities and counties had on February 1, 1989 to raise revenues in the aggregate. By adding an exemption to the state sales tax, the bill has

the effect of adding an exemption to the local option county sales surtax. Since the annual local revenue loss is estimated to be less than \$1.4 million, the bill will be exempt from the requirements of subsection (b) due to the insignificant negative fiscal impact as permitted under subsection (d) of section 18 of Article VII. (See subsection (d) of s. 18, Art. VII, Florida Constitution, for various types of general laws, including those with insignificant fiscal impact.)

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

The 3 percent sales tax exemption extended to power-driven farm equipment and to the rental of farm equipment is estimated to result in an annualized revenue loss of \$4.3 million in state general revenue and \$.7 million in local revenues with an insignificant loss of revenue to the Solid Waste Management Trust Fund.

Issue/Fund	General Revenue		Trust		Local		Total	
	1st Year	Recurring	1st Year	Recurring	1st Year	Recurring	1st Year	Recurring
1. Power-driven equip. & products prod. by & rental of equipment	\$ (3.9)	\$ (4.3)	(*)	(*)	\$ (0.7)	\$ (0.7)	\$ (4.6)	\$ (5.0)

* Insignificant
** Indeterminate

B. Private Sector Impact:

Farmers will be able to purchase or lease “power-driven farm equipment” at the 3 percent sales tax rate as well as continue to purchase such equipment used for fire prevention and suppression. Agricultural producers and foresters will benefit from the ability to receive a partial sales tax exemption on the sale or lease of certain types of equipment. The rental of farm equipment will be subject to the 3 percent sales tax rate instead of the 6 percent rate.

C. Government Sector Impact:

None.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.
