

# 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.)

BILL: CS/SB 140

SPONSOR: Fiscal Resource Committee and Senator Cowin

SUBJECT: Sales Tax: Tax Relief Act

DATE: March 1, 1999 REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Keating</u>	<u>Wood</u>	<u>FR</u>	<u>Favorable/CS</u>
2.	<u>Olafson</u>	<u>Maclure</u>	<u>CM</u>	<u>Favorable</u>
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____

## I. Summary:

This committee substitute creates the “Florida Residents’ Tax Relief Act of 1999,” which provides that no sales and use tax will be collected on sales of clothing having a taxable value of \$100 or less during the period from 12:01 a.m., July 31, 1999, to midnight, August 8, 1999.

## II. Present Situation:

The state of Florida levies a 6% sales tax on most sales of tangible personal property in the state and on some services. The statutes currently provide more than 150 exemptions from the sales tax. Exemptions generally take the form of identifying specifically exempt items, exempting items when used for particular purposes, and exempting certain types of organizations, such as the government, churches, and charitable organizations. There are no current exemptions based on the time at which a purchase is made. Local government local option sales taxes are levied on the same tax base as the state tax, with the exception that the local taxes do not apply to the portion of any purchase over \$5,000.

The 1998 Legislature created the “Florida Residents’ Tax Relief Act of 1998” (chapter 98-341, Laws of Florida). The “Tax Relief Act” provided that no sales tax would be collected on sales of clothing having a taxable value of \$50 or less during the period from 12:01 a.m., August 15, 1998, through midnight, August 21, 1998. “Clothing” was defined to mean any article of wearing apparel, including footwear, intended to be worn on or about the human body and did not include watches, watchbands, jewelry, handbags, handkerchiefs, umbrellas, scarves, ties, headbands, or belt buckles. The “Tax Relief Act” was well received by both the public and Florida retailers and cost the state an estimated \$13.9 million in General Revenue and local governments \$2.2 million in fiscal year 1998-99.

### **III. Effect of Proposed Changes:**

This committee substitute creates the "Florida Residents' Tax Relief Act of 1999," which provides that no sales and use tax will be collected on sales of clothing having a taxable value of \$100 or less during the period from 12:01 a.m., July 31, 1999, to midnight, August 8, 1999. The term "clothing" means any article of wearing apparel, including backpacks, scarves, ties, handbags, headbands and all footwear, intended to be worn on or about the human body, and does not include watches, watchbands, jewelry, umbrellas, or belt buckles.

The sales tax exemption does not apply to sales within a theme park or entertainment complex as defined in s. 509.013(9), F.S., or within a public lodging establishment as defined in s. 509.013(4), F.S.

The Department of Revenue is authorized to adopt rules to administer these provisions.

The sum of \$200,000 is appropriated from the General Revenue Fund to the Department of Revenue for the 1999-2000 fiscal year for the purpose of administering this act.

### **IV. Constitutional Issues:**

#### **A. Municipality/County Mandates Restrictions:**

This committee substitute 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, this committee substitute has the effect of adding an exemption to the local option sales surtax. Since the annual local revenue loss is estimated to be more than \$1.4 million, this committee substitute will not be exempt from the requirements of subsection (b).

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

None.

#### **C. Trust Funds Restrictions:**

None.

### **V. Economic Impact and Fiscal Note:**

#### **A. Tax/Fee Issues:**

The exemption would apply to the state sales tax and the local option sales surtax. The Revenue Estimating Conference calculated that nine days of tax-free shopping for the purchases of clothing of \$100 or less would result in a fiscal year 1999-2000 General

Revenue loss of \$29.9 million, a loss to local governments of \$4.7 million, and a loss to the Solid Waste Management Trust Fund of \$100,000.

Issue/Fund	General Revenue		Trust		Local		Total	
	1st Year	Recurring	1st Year	Recurring	1st Year	Recurring	1st Year	Recurring
Tax Free Shopping	\$ (29.9)	\$ (0.0)	\$ (0.1)	\$ (0.0)	\$ (4.7)	\$ (0.0)	\$ (34.7)	\$ (0.0)

**B. Private Sector Impact:**

Sales of clothing costing \$100 or less should increase significantly during the nine days of tax-free shopping proposed in this committee substitute. To a large extent, however, it is expected that such sales would be drawing sales away from surrounding periods.

The cost of implementation to retailers cannot be determined with certainty, but should be insignificant since retailers would merely have to activate existing procedures developed for last year’s tax free shopping week

**C. Government Sector Impact:**

This committee substitute provides for \$200,000 to be appropriated from the General Revenue Fund to the Department of Revenue for the purpose of implementing this act. Representatives from the Department of Revenue indicated that they plan to initiate strategies similar to those used prior to last year’s tax holiday, and send out a Taxpayer Information Publication or TIP sheet explaining the law to affected retailers.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Amendments:**

None.