

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: SB 64

SPONSOR: Senator Cowin

SUBJECT: Sales Tax; Taxpayer Relief Days

DATE: March 4, 2000 REVISED: 3/6/00 _____

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

I. Summary:

This bill creates the third “Florida Residents’ Tax Relief Act,” 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 29, 2000, through midnight, August 6, 2000. The bill also provides that no sales and use tax shall be collected on sales of school supplies having a selling price of \$10 per item or less during that same period of time.

II. Present Situation:

The state of Florida levies a 6 percent sales tax on most sales of tangible personal property in the state and on some services. The statutes currently provide more than 200 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.” (ch. 98-341, L.O.F.) This 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 act cost the state an estimated \$13.9 million in General Revenue and local governments \$2.2 million in fiscal year 1998-99.

The 1999 Legislature created the “Florida Residents’ Tax Relief Act of 1999” (ch. 99-229, L.O.F.), which provided that no sales and use tax would 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” was defined to mean 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 did not include watches, watchbands, jewelry, umbrellas, or belt buckles. This act cost the state an estimated \$29.9 million in General Revenue and local governments \$4.7 million in fiscal year 1999-00.

III. Effect of Proposed Changes:

The bill creates the “Florida Residents’ Tax Relief Act,” which provides that no sales and use tax will be collected on sales of clothing, wallets, or bags, including handbags, backpacks, fanny packs, and diaper bags, but excluding briefcases, suitcases, and other garment bags, having a selling price of \$100 or less during the period from 12:01 a.m., July 29, 2000, through midnight, August 6, 2000. The term “clothing” means any article of wearing apparel, including all footwear, except skis, swim fins, roller blades, and skates, intended to be worn on or about the human body but does not include watches, watchbands, jewelry, umbrellas, or handkerchiefs. The sales tax exemption, however, does not apply to sales within a theme park or entertainment complex, or within a public lodging establishment.

The bill also provides that no sales and use tax shall be collected on sales of school supplies having a selling price of \$10 per item or less during the period from 12:01 a.m., July 29, 2000, through midnight, August 6, 2000. The term “school supplies” includes pens, pencils, erasers, crayons, notebooks, notebook filler paper, legal pads, composition books, poster paper, scissors, cellophane tape, glue or paste, rulers, protractors, compasses, and calculators.

The Department of Revenue is directed to adopt rules to administer these provisions, and is appropriated the sum of \$200,000 from the General Revenue Fund for the purpose of administering the bill.

The bill takes effect upon becoming a law.

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 of the Legislature 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 sales surtax. Since the annual local revenue loss is estimated to be more than \$1.4 million, the bill 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. Estimates of the fiscal impact of the nine days of tax free shopping for purchases of clothing of \$100 or less and school supplies of \$10 or less is an estimated fiscal year 2000-01 General Revenue loss of \$41.3 million and a total loss to local governments of \$6.6 million.

Issue/Fund	General Revenue		Trust		Local		Total	
	1st Year	Recurring	1st Year	Recurring	1st Year	Recurring	1st Year	Recurring
<u>Tax Free Shopping</u>								
Clothing	(35.5)	0.0	(0.1)	0.0	(5.6)	0.0	(41.2)	0.0
School Supplies	<u>(5.8)</u>	<u>0.0</u>	<u>(*)</u>	<u>0.0</u>	<u>(1.0)</u>	<u>0.0</u>	<u>(6.8)</u>	<u>0.0</u>
TOTAL	(41.3)	0.0	(0.1)	0.0	(6.6)	0.0	(48.0)	0.0

* Insignificant
 ** Indeterminate

B. Private Sector Impact:

Sales of clothing costing \$100 or less and school supplies costing \$10 or less should increase significantly during the nine days of tax free shopping proposed in this bill. 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 should be insignificant since retailers would merely have to activate existing procedures developed for previous tax free shopping weeks.

C. Government Sector Impact:

While the bill appropriates the Department of Revenue \$200,000 for the purpose of implementing this act, the department reports that the actual cost to implement the bill will be \$215,000.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

#1 by Commerce and Economic Opportunities:

Increases the appropriation to the Department of Revenue, for the purpose of implementing this act, to \$215,000 from \$200,000.

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