

# 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 1458

SPONSOR: Fiscal Resource Committee and Senator King

SUBJECT: Tax on Sales, Use and Other Transactions

DATE: April 25, 2000 REVISED: \_\_\_\_\_

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

## I. Summary:

The bill would revise the sales tax exemption for industrial machinery and equipment purchased for use in manufacturing or spaceport activities in new or expanding businesses. It lowers the exemption for machinery and equipment used by expanding businesses to taxes in excess of \$15,000. Extends the application of the sales tax exemption for materials and labor used in the repair of industrial machinery and equipment to include machinery and equipment used in the preparation of items for shipping and adds SIC code 35 to the exemption.

The bill also provides a refund of taxes paid for the period of July 1, 1998, through June 30, 1999, on charges of steam or electrical energy used by Industry Group Number 212, or if taxes were not collected, such business does not have to pay such taxes.

This bill substantially amends, creates, or repeals the following sections of the Florida Statutes:  
212.08

## II. Present Situation:

Chapter 212, Florida Statutes, provides for a 6 percent tax on sales, use and other transactions. Section 212.05, F.S., provides that every person who engages in the business of selling tangible personal property at retail in this state, including the business of making mail order sales, or who rents or furnishes any of the things or services taxable under chapter 212, F.S., or who stores for use or consumption any item or article of tangible personal property and who leases or rents such property is exercising a taxable privilege. Section 212.05(1)(a)1.a., F.S., provides for a six percent tax rate on the retail price of each item or article of tangible personal property when sold at retail in Florida. Section 212.05(1)(b), F.S., provides for a six percent tax on the cost price of any item of tangible personal property that is not sold but used in Florida. Additionally, local governments are authorized to levy one or more of six types of Local Discretionary Sales Surtaxes, ranging 0.5 percent to 1.0 percent each, with a maximum rate of 1.5 percent.

Industrial machinery and equipment purchased by new and expanding spaceport activities, manufacturing-type businesses, and printing facilities or plant units are exempt from sales and use tax when the criteria for exemption are met as established by s. 212.08(5)(b), F.S. Mining-type activities may receive an exemption when the criteria as established by ss. 212.08(5)(b) and 212.0805, F.S., are met. All new and expanding businesses, except mining-type activities, may receive the sales and use tax exemption by way of a refund of previously paid taxes. Mining-type activities may only receive the sales and use tax exemption by way of a prospective credit against severance taxes. All businesses must apply for the exemption.

Pursuant to s. 212.052(2), F.S., machinery, materials, equipment, and tangible personal property used in research and development are specifically subject to sales and use tax.

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

The bill amends s. 212.08(5)(b), F.S., revise the sales tax exemption for industrial machinery and equipment purchased for use in manufacturing or spaceport activities in new or expanding businesses. It lowers the exemption for machinery and equipment used by expanding businesses to taxes in excess of \$15,000.

The bill also amends s. 212.08(7)(eee), F.S., extending the application of the sales tax exemption for materials and labor used in the repair of industrial machinery and equipment to include machinery and equipment used in the preparation of items for shipping. It also adds SIC code 35 to the exemption.

In addition, the bill also provides a refund of taxes paid for the period of July 1, 1998, through June 30, 1999, on charges of steam or electrical energy used by Industry Group Number 212, or if taxes were not collected, such business does not have to pay such taxes. The 1998 Legislature inadvertently left out Industry Group 212, cigar manufacturers, from the exemption for steam or electricity used in manufacturing. The 1999 Legislature put that Industry Group 212 in the law.

The bill takes effect July 1, 2000.

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

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

None.

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

None.

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

None.

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

**A. Tax/Fee Issues:**

The Revenue Estimating Conference estimates that the changes in the bill will result in a recurring loss to the General Revenue Fund of \$12.3 million with a recurring loss to local governments of \$1.9 million. The refund of taxes paid by cigar manufacturers is insignificant.

Issue/Fund	General Revenue		Trust		Local		Total	
	1st Year \$	Recurring \$	1st Year \$	Recurring \$	1st Year \$	Recurring \$	1st Year \$	Recurring \$
1. \$15,000 threshold	(9.9)	(10.8)	(*)	(*)	(1.6)	(1.7)	(11.5)	(12.5)
2. Shipping	(0.2)	(0.4)	(*)	(*)	(*)	(*)	(0.2)	(0.2)
3. SIC code 35	<u>(0.8)</u>	<u>(1.1)</u>	<u>(*)</u>	<u>(*)</u>	<u>(0.2)</u>	<u>(0.2)</u>	<u>(1.0)</u>	<u>(1.3)</u>
4. Total	(10.9)	(12.3)	(*)	(*)	(1.8)	(1.9)	(12.7)	(14.0)

\* Insignificant  
 \*\* Indeterminate

**Mandate**

**B. Private Sector Impact:**

Qualified businesses would save an estimated \$14.0 million in sales tax revenues.

**C. Government Sector Impact:**

The Department of Revenue will have to incur the cost of issuing a Taxpayer Information Publication (TIP) to be sent to specific registered businesses that would be impacted by this bill.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Amendments:**

None.