

# SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

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

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Prepared By: Environmental Preservation Committee

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BILL: SB 1620

SPONSOR: Senator Atwater

SUBJECT: Sales Tax Exemption for Solar Energy Systems

DATE: March 10, 2005

REVISED: \_\_\_\_\_

|    | ANALYST         | STAFF DIRECTOR | REFERENCE | ACTION           |
|----|-----------------|----------------|-----------|------------------|
| 1. | <u>Branning</u> | <u>Kiger</u>   | <u>EP</u> | <b>Favorable</b> |
| 2. | _____           | _____          | <u>GE</u> | _____            |
| 3. | _____           | _____          | <u>WM</u> | _____            |
| 4. | _____           | _____          | _____     | _____            |
| 5. | _____           | _____          | _____     | _____            |
| 6. | _____           | _____          | _____     | _____            |

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## I. Summary:

This bill deletes the provision allowing the repeal of the tax exemption for solar energy systems.

This bill substantially amends the following section of the Florida Statutes: 212.08(7).

## II. Present Situation:

Florida's sales and use tax is a 6 percent levy on retail sales of most tangible personal property, admissions, transient lodgings, commercial rentals, and motor vehicles. 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. Section 212.08(7), F.S., provides for more than 50 miscellaneous exemptions.

In addition to the state rate of 6 percent, local governments are authorized to levy one or more of six types of Local Discretionary Sales Surtaxes, ranging from up to 0.5 percent to 1 percent each, for a maximum rate of 1.5 percent.

One of the miscellaneous exemptions provided for in s. 212.08(7), F.S., is for solar energy systems or any component thereof. The Florida Solar Energy Center is required from time to time to certify to the Department of Revenue a list of equipment and requisite hardware considered to be a solar energy system or a component thereof. This exemption is repealed on July 1, 2005.

“Solar energy systems” as defined in s. 377.705(3), F.S., means equipment which provides for the collection and use of incident solar energy for water heating, space heating or cooling, or

other applications which normally require or would require a conventional source of energy such as petroleum products, natural gas, or electricity. In other systems in which solar energy is used in a supplemental way, only those components which collect and transfer solar energy are included in the definition.

The Florida Energy Office is the state's center for energy policy. In addition to developing and implementing Florida's energy policy, the Florida Energy Office coordinates all federal energy programs delegated to the state, including energy supply, demand, conservation and allocation.

Florida's solar strategy consists of expanding the use of the two major types of solar technology – solar electric systems (photovoltaics) that produce electricity from sunlight and solar thermal systems that produce hot water.<sup>1</sup> There are about 15,000 solar pool heating systems, 1,000 solar water heating systems, and a smaller number of photovoltaic systems installed in Florida annually.<sup>2</sup>

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

This bill amends s. 212.08(7)(hh), F.S., to delete the provision allowing the repeal of the tax exemption for solar energy systems.

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

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

None.

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

None.

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

None.

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<sup>1</sup> [www.dep.state.fl.us/energy/fla\\_energy/solar.htm](http://www.dep.state.fl.us/energy/fla_energy/solar.htm)

<sup>2</sup> Revenue Estimating Conference Data for HB 805, adopted March 4, 2005.

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

**A. Tax/Fee Issues:**

This bill allows the sales tax exemption for solar energy systems to continue indefinitely.

The Revenue Estimating Conference consensus estimate adopted on March 4, 2005, is as follows:

|                       | <b>FY 2005-06<br/>Annualized</b> | <b>FY 2005-06 Cash</b> | <b>FY 2006-07 Cash</b> |
|-----------------------|----------------------------------|------------------------|------------------------|
| General Revenue       | (1.1million)                     | (1.0 million)          | (1.1 million)          |
| State Trust           | (Insignificant)                  | (Insignificant)        | (Insignificant)        |
| Total State Impact    | (1.1 million)                    | (1.0 million)          | (1.1 million)          |
| Revenue Sharing       | (Insignificant)                  | (Insignificant)        | (Insignificant)        |
| Local Govt. Half Cent | (.1 million)                     | (.1 million)           | (.1 million)           |
| Local Option          | (.1 million)                     | (.1 million)           | (.1 million)           |
| Total Local Impact    | (.2 million)                     | (.2 million)           | (.2 million)           |
| Total Impact          | (1.3 million)                    | (1.2 million)          | (1.3 million)          |

**B. Private Sector Impact:**

Businesses that buy and sell solar energy systems will continue to benefit from the sales tax exemption on such systems.

**C. Government Sector Impact:**

See tax/fee issues above.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.



## **VIII. Summary of Amendments:**

None.

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

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