

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: CS/HB 135 Exemptions from the Tax on Sales, Use, and Other Transactions
SPONSOR(S): Environment & Natural Resources Council; Troutman
TIED BILLS: **IDEN./SIM. BILLS:**

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) <u>Committee on Agribusiness</u>	<u>8 Y, 0 N</u>	<u>Kaiser</u>	<u>Reese</u>
2) <u>Environment & Natural Resources Council</u>	<u>16 Y, 0 N, As CS</u>	<u>Kaiser / Smith</u>	<u>Dixon / Hamby</u>
3) <u>Policy & Budget Council</u>	<u>23 Y, 5 N</u>	<u>Jacobik</u>	<u>Hansen</u>
4) _____	_____	_____	_____
5) _____	_____	_____	_____

SUMMARY ANALYSIS

This bill provides a sales tax exemption for electricity used directly or indirectly in a packinghouse. The bill defines a packinghouse to mean any building or structure where fruits and vegetables are packed or otherwise prepared for market or shipment in fresh form for wholesale distribution.

The exemption does not apply to electricity used in buildings or structures where agricultural products are sold at retail.

The Revenue Estimating Conference estimated the provisions of this legislation would result in a recurring negative fiscal impact of \$800,000 to the state and negative \$200,000 to local governments.

The effective date of this legislation is July 1, 2008.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Ensure lower taxes: This legislation provides a sales tax exemption for electricity used directly or indirectly in a packinghouse.

B. EFFECT OF PROPOSED CHANGES:

Current law exempts electricity used directly or indirectly for production or processing of agricultural products on the farm from the sales and use tax. Packing houses located on a farm are exempt under this provision. Packing houses not located on a farm are subject to sales and use tax on the electricity consumed.

The bill provides a sales tax exemption for electricity used directly or indirectly in a packinghouse. The bill defines a packinghouse to mean any building or structure where fruits and vegetables are packed or otherwise prepared for market or shipment in fresh form for wholesale distribution.

The exemption does not apply to electricity used in buildings or structures where agricultural products are sold at retail. Electricity used for exempt purposes must be separately metered.

C. SECTION DIRECTORY:

Section 1: Amends s. 212.08, F.S., providing an exemption for electricity used directly or indirectly in a packinghouse; providing a definition for packinghouse; and, providing clarification of the exemption.

Section 2: Provides an effective date of July 1, 2008.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:
See Fiscal Comments.

2. Expenditures:
None

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:
See Fiscal Comments.

2. Expenditures:
None

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Persons operating packinghouse for the packaging of fruits and vegetables for market or shipment in fresh form for wholesale distribution will no longer pay sales tax for the electricity used in the packinghouse.

D. FISCAL COMMENTS:

The Revenue Estimating Conference estimated the recurring fiscal impact of this legislation to the state to be -\$800,000 and to local government to be -\$200,000.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

The mandates provision appears to apply because the bill reduces the authority that counties have to raise revenues through local option sales taxes; however, the amount of the reduction is insignificant and an exemption applies. Accordingly, the bill does not require a two-thirds vote of the membership of the House.

2. Other:

None

B. RULE-MAKING AUTHORITY:

None

C. DRAFTING ISSUES OR OTHER COMMENTS:

None

D. STATEMENT OF THE SPONSOR

No statement submitted.

IV. AMENDMENTS/COUNCIL SUBSTITUTE CHANGES

On April 2, 2008, the Environment and Natural Resources Council adopted one traveling strike-all amendment by the Committee on Agribusiness and passed HB 135 as a committee substitute (CS). Unlike HB 135, which provided a sales tax exemption for the purchases of low-volume irrigation or microirrigation equipment used exclusively in agricultural production, the CS provides a sales tax exemption for electricity used in packinghouses that are not located on a farm. The Revenue Estimating Conference estimated the fiscal impact of this legislation to state and local government to be approximately \$800,000.