

**HOUSE OF REPRESENTATIVES STAFF ANALYSIS**

**BILL #:** HB 711

Tax on Sales, Use, and Other Transactions

**SPONSOR(S):** Grady

**TIED BILLS:**

**IDEN./SIM. BILLS:**

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	<b>REFERENCE</b>	<b>ACTION</b>	<b>ANALYST</b>	<b>STAFF DIRECTOR</b>
1)	Finance & Tax Council	14 Y, 0 N	Aldridge	Langston
2)	Economic Development & Community Affairs Policy Council	10 Y, 2 N	Kruse	Tinker
3)				
4)				
5)				

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**SUMMARY ANALYSIS**

The state sales and use tax on boats in Florida is levied at a rate of 6% of the purchase price or value of the boat. The bill provides that the maximum amount of sales or use tax on a boat may not exceed \$18,000.

The Revenue Estimating Conference (REC) estimates the bill to reduce state revenues by \$1.4 million in FY 2010-2011 (\$1.5 million recurring). Local government revenues are estimated to be reduced by \$0.2 million in FY 2010-11 (\$0.2 million recurring).

This bill has an effective date of July 1, 2010.

## HOUSE PRINCIPLES

Members are encouraged to evaluate proposed legislation in light of the following guiding principles of the House of Representatives

- Balance the state budget.
- Create a legal and regulatory environment that fosters economic growth and job creation.
- Lower the tax burden on families and businesses.
- Reverse or restrain the growth of government.
- Promote public safety.
- Promote educational accountability, excellence, and choice.
- Foster respect for the family and for innocent human life.
- Protect Florida's natural beauty.

## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

#### A. EFFECT OF PROPOSED CHANGES:

##### CURRENT SITUATION

The sales tax rate for boats in Florida is 6% of the purchase price of the boat. Exemptions apply to certain sales.

##### Boats

##### Purchases

Section 212.05, F.S., provides exemptions from the sales and use tax on the purchase of a boat by a non-resident from a registered dealer in the state so long as:

- A boat larger than 5 net tons with a proper decal (qualifying boat) is removed from the state within 180 days of purchase;
- A boat less than 5 net tons without a proper decal (non-qualifying boat) is removed from the state within 10 days of purchase; or
- A boat that is repaired or altered is removed from the state within 20 days of repair or alteration.

A boat purchaser is liable for use tax on the "cost price" of the boat and a penalty equal to the tax payable to the Department of Revenue (DOR) if they do not comply with all of the provisions of s. 212.05, F.S. This penalty shall be in lieu of the penalty imposed by s. 212.12(2), F.S., and is mandatory and cannot be waived by DOR. The use tax and penalty will be assessed on purchasers that:

- Do not remove a qualifying boat from this state within 180 days after purchase or a non-qualifying boat from this state within 10 days after purchase or, when the boat is repaired or altered, within 20 days after completion of such repairs or alterations;
- Permit the boat to return to this state within 6 months from the date of departure; or
- Fail to furnish the department with any of the required documentation within the prescribed time period.

## Importation

Section 212.06, F.S., provides that a use tax shall apply and be due on tangible personal property imported or caused to be imported into this state for use, consumption, distribution, or storage to be used or consumed in this state; provided, however, that, it shall be presumed that tangible personal property used in another state, territory of the United States, or in the District of Columbia for 6 months or longer before being imported into this state was not purchased for use in this state.

## Exports

Section 212.06(5)(a)1., F.S., provides that boats constructed in Florida for the purpose of being exported outside of the continental U.S. are tax exempt.

To avoid paying use tax on boat purchases in Florida, purchasers must register their vessel out of state and keep that vessel outside of Florida for 180 days.

## **EFFECT OF PROPOSED CHANGES**

The bill creates a new section 212.05(5), F.S., to provide that the maximum amount of tax imposed on a sale or use of a boat may not exceed \$18,000.

### **B. SECTION DIRECTORY:**

**Section 1:** Creates a title for this act, the "Florida Maritime Full Employment Act."

**Section 2:** Creates a new s. 212.05(5), F.S., to provide that the maximum amount of tax collected on each individual sale or use of a boat may not exceed \$18,000.

**Section 3:** Provides an effective date of July 1, 2010.

## **II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT**

### **A. FISCAL IMPACT ON STATE GOVERNMENT:**

1. Revenues: The REC estimates the bill to reduce state revenues by \$1.4 million in FY 2010-2011 (\$1.5 million recurring).
2. Expenditures: None.

### **B. FISCAL IMPACT ON LOCAL GOVERNMENTS:**

1. Revenues: The REC estimates the bill to reduce local government revenues by \$0.2 million in FY 2010-11 (\$0.2 million recurring).
2. Expenditures: None.

### **C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:**

Capping the tax due on the purchase or use of boats to \$18,000 may generate increased boat sales in Florida.

### **D. FISCAL COMMENTS: None.**

### **III. COMMENTS**

#### **A. CONSTITUTIONAL ISSUES:**

##### **1. Applicability of Municipality/County Mandates Provision:**

The mandates provision appears to apply because this bill will reduce the authority of municipalities and counties to raise revenues. However, since the impact is expected to be insignificant for mandate purposes, the bill is exempt from the provisions of Article VII, Section 18(b), Florida Constitution.

2. Other: None.

#### **B. RULE-MAKING AUTHORITY:**

None.

#### **C. DRAFTING ISSUES OR OTHER COMMENTS:**

None.

### **IV. AMENDMENTS/COUNCIL OR COMMITTEE SUBSTITUTE CHANGES**