

STORAGE NAME: h3443a.bdt

DATE: March 23, 1998

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
BUSINESS DEVELOPMENT AND INTERNATIONAL TRADE
BILL RESEARCH & ECONOMIC IMPACT STATEMENT**

BILL #: HB 3443

RELATING TO: Tax on Sales, Use and Other Transactions

SPONSOR(S): Representative Wallace

COMPANION BILL(S): SB 1274 (i)

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

- (1) BUSINESS DEVELOPMENT AND INTERNATIONAL TRADE YEAS 8 NAYS 1
 - (2) FINANCE AND TAXATION
 - (3) TRANSPORTATION & ECONOMIC DEVELOPMENT APPROPRIATIONS
 - (4)
 - (5)
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I. SUMMARY:

This bill reduces the six percent state sales tax on automobile and truck sales to four percent for a three year period beginning July 1, 1998, and extending through June 30, 2001. The reduced rate of four percent would be applicable to truck and car sales for *personal use* only. The rate of discretionary sales surtax levied by local governments under the authority of chapter 212, Florida Statutes, is not affected by this bill.

Additionally, the bill requires that before July 1, 2001, the legislature must review the rate reduction, consider the economic outlook for the state and determine whether or not the rate of four percent should be extended.

The Revenue estimating conference has not yet addressed the fiscal impact of this bill.

The bill does not appear to require any additional rulemaking by a state agencies.

II. SUBSTANTIVE RESEARCH:

A. PRESENT SITUATION:

Chapter 212, F.S., imposes a 6 percent tax on sales, use and other transactions including the transfer of tangible personal property. Section 212.02(19), F.S., provides a definition for tangible personal property of property which may be seen, weighed, measured, or touched or is in any manner perceptible to the senses.

Section 212.05, F.S., declares that every person is exercising a taxable privilege who engages in the business of selling tangible personal property at retail in this state and the rate of six percent is imposed on retail sales. Section 212.05(1)(a)1b., F.S., provides that the occasional sale of aircraft, boat, mobile home, or motor vehicle of a class or type which is required to be registers, licensed, titled, or documented in this state or by the United States shall be subject to the tax at the rate provided herein. Occasional sales are recorded when a party to the sale records the title with the county tax collector. The title states the amount of the sale price and must contain signatures of the buyer and seller.

Section 212.05(1)(a)1.b., F.S., directs the Department of Revenue (DOR) to adopt any nationally recognized publication for valuation of used motor vehicles. If any party to a sale of a used motor vehicle reports to the tax collector a sales price less than 80 percent of the average loan price for the specified model and year of such vehicle as listed in the most recent reference price list, then the Department shall compute the tax based on that price. The tax computed on the most recent reference price list is due unless the tax collector has been provided with affidavits signed by each party, or other substantial proof is provided, stating the actual sales price.

The DOR collects sales tax from registered dealers of new and used cars based on their Standard Industrial Classification Codes (SIC). For new and used car dealers the code is 5511 and for used car dealers the code is 5521. Records in the Department of Revenue indicate sales tax collections categorized by the SIC codes. The aggregate amounts reported under each code do not distinguish what portion of the dollars collected is for sales of cars and trucks and what portion is for automotive service and repair. Additionally, the codes do not indicate whether the vehicles are for personal use or business use.

In 1996, DOR reports that the tax collected from SIC 5511, new and used car dealers, was just over \$1 billion and that the tax collected from SIC code 5521, used car dealers, was \$103.4 million. Collection data from county tax collectors on individual used car sales was not provided.

Section 212.055, F.S., provides for various types of discretionary sales surtaxes such as the charter county surtax, the local government infrastructure surtax, the small county surtax, the indigent care surtax, the county public hospital surtax, the small county indigent care surtax and the school capital outlay surtax. The proceeds of any discretionary surtax collected by the selling dealer located in a county imposing the surtax shall be returned to the county where the selling dealer is located. In the event a dealer located in a county not imposing a surtax collects a surtax because of property delivered outside the county, the dollars are deposited in the Discretionary Sales Surtax Clearing Trust Fund which is separate from the county surtax collections accounts.

DOR distributes these funds to the counties based on a distribution factor determined for each county.

B. EFFECT OF PROPOSED CHANGES:

This bill would reduce the sales tax rate from six to four percent on sales of cars and trucks for personal use. The reduction is for the state sales tax rate only and it does not affect any levied discretionary sales surtax.

The bill imposes the sales tax reduction for a period of three years, from July 1, 1998 through June 30, 2001. Additionally, the bill requires the legislature to review the economic outlook for the state prior to the July 1, 2001, to determine whether or not the rate reduction should be extended.

C. APPLICATION OF PRINCIPLES:

1. Less Government:

a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

No.

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

No.

(3) any entitlement to a government service or benefit?

No.

b. If an agency or program is eliminated or reduced:

(1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

N/A

(2) what is the cost of such responsibility at the new level/agency?

N/A

(3) how is the new agency accountable to the people governed?

N/A

2. Lower Taxes:

a. Does the bill increase anyone's taxes?

No.

b. Does the bill require or authorize an increase in any fees?

No.

c. Does the bill reduce total taxes, both rates and revenues?

Yes, however; the Revenue Estimating Conference has not yet review this bill.

d. Does the bill reduce total fees, both rates and revenues?

No.

e. Does the bill authorize any fee or tax increase by any local government?

No.

3. Personal Responsibility:

a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

N/A

b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

No.

4. Individual Freedom:

a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

N/A

- b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

N/A

5. Family Empowerment:

- a. If the bill purports to provide services to families or children:

- (1) Who evaluates the family's needs?

N/A

- (2) Who makes the decisions?

N/A

- (3) Are private alternatives permitted?

N/A

- (4) Are families required to participate in a program?

N/A

- (5) Are families penalized for not participating in a program?

N/A

- b. Does the bill directly affect the legal rights and obligations between family members?

N/A

- c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

- (1) parents and guardians?

N/A

(2) service providers?

N/A

(3) government employees/agencies?

N/A

D. STATUTE(S) AFFECTED:

Chapter 212, Florida Statutes.

E. SECTION-BY-SECTION RESEARCH:

Section 1 - reduces the sales tax rate from six to four percent on the sale of cars and trucks for personal use.

Section 2 - provides an effective date of upon becoming law, however; section 1 of the bill provides that the tax reduction begins July 1, 1998.

III. FISCAL RESEARCH & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

None.

2. Recurring Effects:

The Revenue Estimating Conference has not yet reviewed this bill.

3. Long Run Effects Other Than Normal Growth:

The Revenue Estimating Conference has not yet reviewed this bill.

4. Total Revenues and Expenditures:

The Revenue Estimating Conference has not yet reviewed this bill.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

None.

2. Recurring Effects:

None.

3. Long Run Effects Other Than Normal Growth:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

None.

2. Direct Private Sector Benefits:

Reduced sales tax charges payable on the purchase of a new or used car or truck for personal use.

3. Effects on Competition, Private Enterprise and Employment Markets:

None.

D. FISCAL COMMENTS:

The Revenue Estimating Conference has not yet reviewed this bill.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

The bill does not require counties or municipalities to spend funds or to take an action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the revenue raising authority of local governments.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill may have an impact on the base amount shared with local governments, however; it does not affect the percentage of state tax shared with counties and municipalities.

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V. COMMENTS:

None.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

On March 23, 1998, the committee on Business Development and International Trade passed HB 3443 with two amendments. The first amendment added "motorcycles" to the title of the bill. The second amendment added motorcycles to the list of vehicles affected by the bill and it limited the lowered tax rate to one vehicle per individual, and made the lowered tax rate applicable to only the first \$25,000 of the vehicle's purchase price.

VII. SIGNATURES:

COMMITTEE ON BUSINESS DEVELOPMENT AND INTERNATIONAL TRADE:

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