

STORAGE NAME: h4155.ag

DATE: April 6, 1998

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
AGRICULTURE
BILL RESEARCH & ECONOMIC IMPACT STATEMENT**

BILL #: HB 4155

RELATING TO: Tax on Sales, Use and Other Transactions

SPONSOR(S): Representative Boyd

COMPANION BILL(S): SB 680 (i) Senator Kirkpatrick

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

- (1) AGRICULTURE
 - (2) FINANCE & TAXATION
 - (3) GENERAL GOVERNMENT APPROPRIATIONS
 - (4)
 - (5)
-

I. SUMMARY:

HB 4155 provides a tax exemption on growth enhancers or performance enhancers for livestock and dairy cows. Currently, feed for livestock and dairy cows are exempt from sales tax.

The fiscal impact of this legislation is difficult to determine due to the broad definition of performance enhancers. The State Revenue Estimating Conference calculated the reduction in sales tax to be between \$258,000 and \$387,600 for fiscal year 1998-99.

If enacted, this legislation would take effect July 1, 1998.

II. SUBSTANTIVE RESEARCH:

A. PRESENT SITUATION:

Currently, a synthetic somatotropin hormone, manufactured by Monsanto, is the only performance-enhancing product available for dairy cows. This hormone, which occurs naturally in all milk-producing species, is injected into the musculature of dairy cattle to improve milk production. It is estimated somatotropin can increase milk production by 10 to 20 percent, thus increasing milk production efficiency.

There are several growth-enhancing products on the market for beef cattle. These products are implanted as slow-release pellets under the skin of the ear of the calf. According to Homer Sewell, Department of Animal Sciences at the University of Missouri-Columbia, growth-enhancers can increase the rate of gain by 8-15 percent and improve feed efficiency by 6-10 percent.

All of these products, whether growth-enhancing or performance-enhancing, are approved by the U.S. Food and Drug Administration.

B. EFFECT OF PROPOSED CHANGES:

The Department of Agriculture and Consumer Services estimates that approximately one-third of the dairy cows in the state (55,000) are presently being injected with the somatotropin hormone. The hormone is administered to dairy cattle during their lactation cycle several times during the year. The cost per cow is estimated to be approximately \$75 per year.

The growth-enhancing products for beef cattle typically range from \$1 up to \$1.75 per implant. Generally, a calf will receive 1 to 2 implants during its lifespan. Bob Sand, Associate Professor in the Department of Animal Sciences at the University of Florida, estimates approximately 60 percent of the calves (400,000) in Florida are implanted with growth-enhancing products.

By exempting these growth and performance-enhancing products from sales tax, the savings to dairy and beef cattle farmers would be substantial.

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.

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(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: **Not applicable.**

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

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

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

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?

State sales tax revenues would be reduced by approximately \$200,00 to \$400,000 per year.

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?

No.

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

Not applicable.

4. Individual Freedom:

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

Not applicable.

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

No.

5. Family Empowerment: **Not applicable.**

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

(1) Who evaluates the family's needs?

(2) Who makes the decisions?

(3) Are private alternatives permitted?

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

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

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

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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?

(2) service providers?

(3) government employees/agencies?

D. STATUTE(S) AFFECTED:

Section 212.08, F.S.

E. SECTION-BY-SECTION RESEARCH:

Section 1: Amends section 212.08, F.S., to include growth enhancers or performance enhancers for livestock as an exemption from the tax on sales, use, and other transactions.

Section 2: Provides an effective date of July 1, 1998.

III. FISCAL RESEARCH & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS: **See Fiscal Comments.**

1. Non-recurring Effects:

2. Recurring Effects:

3. Long Run Effects Other Than Normal Growth:

4. Total Revenues and Expenditures:

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE: **None.**

1. Non-recurring Effects:

2. Recurring Effects:

3. Long Run Effects Other Than Normal Growth:

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

None.

2. Direct Private Sector Benefits:

According to the Department of Agriculture and Consumer Services, dependent upon the definition of "performance-enhancing or growth-enhancing products," this bill could have a significant monetary benefit to the livestock producer if it includes certain vitamins, minerals, supplements, etc., routinely included in an animals' daily fee supply. However, if it means only those enhancing products that must be prescribed by a veterinarian, the benefits to the livestock producer would be negligible.

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

None.

D. FISCAL COMMENTS:

The State Revenue Estimating Conference provided the following fiscal impact:

	FY 98-99 <u>Annualized</u>	FY 98-99 <u>Cash</u>	FY 99-00 <u>Cash</u>
State Impact (All funds)			
High	\$(387,600)	\$(355,300)	\$(403,200)
Middle	(323,000)	(296,000)	(336,000)
Low	(258,000)	(236,900)	(268,800)

These figures were based on an equation of 55,000 dairy cows @ \$75/cow and 500,000 feeder calves @ \$1.50/calf x 6% sales tax.

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

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A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to spend funds or take actions requiring expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the revenue raising authority of any county or municipality.

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

This bill does not reduce any state tax revenues shared with counties and municipalities.

V. COMMENTS:

SB 680, the Senate companion, was amended to change the term "livestock" to "cattle", which will narrow the scope of products eligible for sales tax exemptions.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

None.

VII. SIGNATURES:

COMMITTEE ON AGRICULTURE:

Prepared by:

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