

STORAGE NAME: h0529a.ft

DATE: March 25, 1997

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
FINANCE AND TAXATION
BILL ANALYSIS & ECONOMIC IMPACT STATEMENT**

BILL #: HB529

RELATING TO: Sales & Use Tax

SPONSOR(S): Rep. Fischer

STATUTE(S) AFFECTED: Section 212.11, Florida Statutes

COMPANION BILL(S): SB1694; Similar HB915, SB1678

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

- (1) FINANCE AND TAXATION YEAS 14 NAYS 0
- (2) GENERAL GOVERNMENT APPROPRIATIONS
- (3)
- (4)
- (5)

I. SUMMARY:

Presently sales tax dealers who remitted \$100,000 or more in sales tax in the prior year must make estimated tax payments which are due by the 20th day of the month for which the tax is estimated. The present 66 percent used to calculate the estimated tax liability would be reduced over a five years period and then repealed on January 1, 2003. When the phase out is complete, the sales tax will be due on the first day of the month after the tax is collected (not during the month estimated) and payable by the 20th day of that month.

Instead of making estimated payments, sales tax dealers who sell boats, motor vehicles, or aircraft, will have the option of remitting the tax on sales of \$100,000 or more no later than three business days after the sale.

The bill will take effect July 1, 1997. The fiscal impact of this bill is due primarily to the state receiving sales and use tax revenues a month later rather than a reduction in the sales and use tax revenues. The estimated fiscal impact of this bill on General Revenue is (\$111.9) million in FY 1997-98 and (\$81.7) million in FY 1998-99. The impact of the Solid Waste Management Trust Fund is (\$0.2) million in FY 1997-98 and (\$0.2) million in FY 1998-99. The impact on local governments is (\$10.5) million in FY 1997-98 and (\$7.6) million in FY 1998-99.

II. SUBSTANTIVE ANALYSIS:

A. PRESENT SITUATION:

Section 212.11(1)(a) Fla. Stat. (1996 Supp.), read in conjunction with Section 212.11(4)(a), Fla. Stat., (1996 Supp.), requires a sales tax dealer who in the preceding state fiscal year paid sales/use tax in an amount equal to or greater than \$100,000 to pay an estimated tax liability. The sales tax dealer must use one of the following methods to calculate the estimated tax liability:

1. Sixty-six percent of the current month's liability pursuant to this part as shown on the tax return.
2. Sixty-six percent of the tax reported on the tax return pursuant to this part by a dealer for the taxable transactions occurring during the corresponding month of the preceding calendar year; or
3. Sixty-six percent of the average tax liability pursuant to this part for those months during the preceding calendar year in which the dealer reported taxable transactions.

The difference between the estimated tax paid and the actual amount of tax collected is due by the 1st of the month after it is collected and must be remitted by the 20th day of the month after the tax is collected.

If the dealer paid less than \$100,00 in sales tax in the preceding state fiscal year, no estimated tax is due. Sales tax collected is due by the 1st of the month after it is collected and must be remitted by the 20th day of the month after the tax is collected.

Under present law a sales tax dealer who paid \$100,000 or more in sales tax and who is engaged in the business of selling boats, motor vehicles, or aircraft must pay estimated sales tax using one of the methods described above.

B. EFFECT OF PROPOSED CHANGES:

The estimated payment requirement would be reduced over a five year period and then repealed as of January 1, 2003. The rate is presently 66%. From January 1, 1998, through December 31, 1998, the rate would be 50%. From January 1, 1999, through December 31, 1999, the rate would be 40%. From January 1, 2000, through December 31, 2000, the rate would be 30%. From January 1, 2001, through December 31, 2001, the rate would be 20%. From January 1, 2002, through December 31, 2002, the rate would be 10%. The amount of sales and use tax collected would not change. Only the timing of receipt of funds by the state would change. Initially the state would receive 16 percent of the tax due one month later than presently required and by 2203, all previously estimated funds would be received one month later.

Instead of making estimated payments, sales tax dealers who sell boats, motor vehicles, or aircraft, will have the option of paying estimated tax under Section 212.11(1), Fla. Stat. or remitting the sales tax on the sale of a vehicle with a sales price of a \$100,000 or greater no later than three business days after the transaction. The tax could be remitted by electronic funds transfer or on a form prescribed by the Department of

Revenue. To qualify for this option, the dealer must have remitted sales tax for the preceding state fiscal year in an amount greater than or equal to \$100,000 per business location.

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, the bill reduces total revenues.

- 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?

N/A

4. Individual Freedom:

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

No.

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

No.

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. SECTION-BY-SECTION ANALYSIS:

Not required.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

None.

2. Recurring Effects:

Revenue	1997-98	1998-99
General Revenue Fund	(\$111.9M)	(\$81.7M)
Solid Waste Management FT	(\$0.2M)	(\$0.02M)

The election for the dealers who sell boats, motor vehicles, or aircraft, will have an indeterminable negative impact on revenue.

3. Long Run Effects Other Than Normal Growth:

Since this bill proposes a phase out over a five year period there is the following additional impact.

	1999-00	2000-01	2001-02	2002-03	2003-04
Revenue	(\$91.9M)	(\$102.5M)	(\$113.4M)	(\$124.1M)	(\$36.9)
Solid Waste	(\$0.2M)	(\$0.2M)	(\$0.2M)	(\$0.3M)	(\$0.1M)

4. Total Revenues and Expenditures:

See two and three above.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

None.

2. Recurring Effects:

Local Half Cent	1997-98	1998-99
	(\$10.5M)	(\$7.6M)

3. Long Run Effects Other Than Normal Growth:

Local Half	1999-00	2000-01	2001-02	2002-03	2003-04
	(\$8.5M)	(\$9.5M)	(\$10.5)	(\$11.5M)	(\$3.4)

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

None.

2. Direct Private Sector Benefits:

Sales tax dealers will be relieved of the bookkeeping requirement of paying estimated taxes. Presumably, the dealers will be able to invest or otherwise use the funds for an additional month prior to sending the funds to the state.

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

None.

D. FISCAL COMMENTS:

None.

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

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to expend funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the revenue raising authority of counties or municipalities.

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

While this bill will reduce the amount of the Local Government Half Cent Sales Tax shared with municipalities and counties, it does not reduce the percentage of a state tax shared with municipalities and counties. Therefore, Article VII, Section 18(b), Florida Constitution does not apply.

V. COMMENTS:

The bill does not provide a date or method for the dealer to make the election between paying the estimated tax or remitting the tax on sales of \$100,000 or more within three days of the transaction. For example, the bill does not state whether

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the dealer must make the election for a fiscal year, a calendar year, or may change monthly.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

VII. SIGNATURES:

COMMITTEE ON FINANCE AND TAXATION:

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