

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based only on the provisions contained in the legislation as of the latest date listed below.)

BILL: CS/SB 2550

SPONSOR: Fiscal Resource Committee and Senator Dyer

SUBJECT: Sales Tax/People-mover Systems

DATE: April 13, 2000 **REVISED:** _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Keating</u>	<u>Wood</u>	<u>FR</u>	<u>Favorable/CS</u>
2.	_____	_____	<u>TR</u>	_____
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____

I. Summary:

The bill exempts sales of people-mover systems from the sales and use tax that are purchased or manufactured by contractors employed by government entities, when the systems go into or become part of publicly owned facilities.

This bill substantially amends, creates, or repeals the following sections of the Florida Statutes: 212.08

II. Present Situation:

The State of Florida levies a 6% sales tax on most sales of tangible personal property in the state and on some services. The statutes currently provide more than 200 exemptions from the sales tax. Exemptions generally take the form of identifying specifically exempt items, exempting items when used for particular purposes, and exempting certain types of organizations, such as the government, churches, and charitable organizations. Section 212.08(7), F.S., provides for 58 miscellaneous exemptions.

In addition to the state rate of 6 percent, local governments are authorized to levy one or more of six types of Local Discretionary Sales Surtaxes, ranging from up to 0.5 percent to 1.0 percent each, for a maximum rate of 1.5 percent.

Section 212.08(6), F.S., provides that governmental entities are not subject to sales and use taxes on purchases of tangible personal property made directly from vendors. The statute specifically provides that tax is owed on tangible personal property purchased by contractors to be incorporated into or become part of public works. The statute provides that determining whether a governmental entity or a contractor is the purchaser of tangible personal property should be based on substance rather than form. Rule 12-1.094, F.A.C., provides the Department of Revenue with direction on structuring direct pay programs so governmental entities can avoid sales or use tax on contractor purchases of materials. The rule does not permit use of a direct pay program to

avoid tax on a contractor's cost of off-site manufacturing of items to be incorporated into public works.

III. Effect of Proposed Changes:

The bill amends s. 212.08(7), F.S., adding a new paragraph (ggg), providing an exemption for people mover systems and parts of such systems that are purchased or manufactured by contractors employed either directly or as agents of governmental entities, specifically including the "public operator of a public-use airport" as defined in s. 332.004(14), when the systems or parts go into or become part of publicly owned facilities. The bill exempts manufacturers who also manufacture and install such systems and parts from sales tax on the purchase of the component parts and all other manufacturing and fabrication costs. The department is authorized to provide a certification form for claiming the exemption.

The term "people mover systems" is defined to include wheeled passenger vehicles and related control and power distributions systems that are part of a transportation system for the general public, regardless of whether such vehicles are operator-controlled or driverless; self-propelled or propelled by external power and control systems; or conducted on roads, rails, guide beams, or other permanent structures that are an integral part of such transportation system. The term "related control and power distribution system" includes any electrical or electronic control or signaling equipment but does not include the embedded wiring, conduits, or cable used to transmit electrical or electronic signals among such control equipment, power distribution equipment, signaling equipment, and wheeled vehicles.

The bill takes effect upon becoming a law.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

The Revenue Estimating Conference estimates the fiscal impact of the bill to be a recurring loss to the General Revenue Fund of \$0.3 million.

Issue/Fund	General Revenue		Trust		Local		Total	
	1st Year \$	Recurring \$	1st Year \$	Recurring \$	1st Year \$	Recurring \$	1st Year \$	Recurring \$
People-mover systems	(0.2)	(0.3)	(*)	(*)	(*)	(*)	(0.2)	(0.3)

* Insignificant
 ** Indeterminate

B. Private Sector Impact:

Contractors who sell people mover systems, or parts of such systems directly to governmental entities will be able to purchase such systems and parts tax-free.

C. Government Sector Impact:

The cost price of people mover systems purchased by governmental entities will not include state and local sales tax.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.
