

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 84

SPONSOR: Fiscal Resource Committee and Senator Sullivan

SUBJECT: Tax on Sales, Use, and Other Transactions

DATE: April 26, 2000 REVISED: _____

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

I. Summary:

The bill revises the method of calculating sales taxes on food and beverages sold from vending machines.

This bill substantially amends, creates, or repeals the following sections of the Florida Statutes: 212.0515

II. Present Situation:

Chapter 212, F.S., provides that a sales and use tax be imposed on the retail sale or lease of tangible personal property. The general sales tax rate is 6%. Local governments are authorized to levy one or more of several types of Local Discretionary Sales Surtaxes, ranging from 0.5 percent to 1.5 percent, with a maximum of 1.5 percent. For most transactions, sales tax is calculated on the sales price of each item of tangible personal property when sold at retail. However, sales tax on sales from vending machines is calculated in a different manner.

Sales tax on items sold through vending machines is calculated on the gross receipts from the sales. Specifically, the sales tax is calculated by dividing the gross receipts from the sales for the applicable reporting period by a divisor to compute gross taxable sales, and then subtracting gross taxable sales from gross receipts to arrive at the amount of tax due. Since the divisors are different for each product, food and beverage items are taxed at different rates than other tangible personal property. The divisor is equal to 1.0645 for food and beverage items and 1.0659 for other items of tangible personal property. The statute also provides divisors for counties with sales surtax rates of 0.5 percent, 0.75 percent, 1 percent and 1.5 percent.

III. Effect of Proposed Changes:

The bill amends s. 212.0515, F.S., to reduce the amount of sales tax paid on food and beverage sales from vending machines by lowering certain factors in the formula used for calculating sales tax.

The rates used as the divisor in the tax calculation are reduced as follows:

<u>Food/Beverage</u>	<u>Current Divisor</u>	<u>Proposed Divisor</u>
Non-surtax County	1.0645	1.064
0.5% surtax	1.0686	1.0681
0.75% surtax	1.0706	1.0701
1.00% surtax	1.0726	1.0721
1.50% surtax	1.0767	1.0762

The bill appropriates the Department of Revenue \$25,000 from the General Revenue Fund in fiscal year 1999-2000 to implement the provisions of this bill.

The bill takes effect July 1, 2000.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

This bill initially falls under subsection (b) of section 18 of Article VII, Florida Constitution. Subsection (b) requires a two-thirds vote of the membership of each house in order to enact a general law reducing the authority that municipalities and counties had on February 1, 1989 to raise revenues in the aggregate. By adding an exemption to the state sales tax, the bill has the effect of adding an exemption to the local option county sales surtax. Since the annual local revenue loss is estimated to be less than \$1.4 million, the bill will be exempt from the requirements of subsection (b) due to the insignificant negative fiscal impact as permitted under subsection (d) of section 18 of Article VII. (See subsection (d) of s. 18, Art. VII, Florida Constitution, for various types of general laws, including those with insignificant fiscal impact.)

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 reducing the tax rate on food and beverage products which are sold through vending machines 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 \$
Vending Machine Rate Reduction	(0.3)	(0.3)	(*)	(*)	(*)	(*)	(0.3)	(0.3)

* Insignificant
 ** Indeterminate

B. Private Sector Impact:

Vending machine operators selling food and beverage products through vending machines will realize a total sales tax savings of \$0.3 million.

C. Government Sector Impact:

The Department of Revenue will receive \$25,000 to implement the changes in the bill.

VI. Technical Deficiencies:

None.

VII. Related Issues:

HB 641 is identical to SB 84.

VIII. Amendments:

None.