

# SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

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

BILL: SB 1828

SPONSOR: Senator Pruitt and Others

SUBJECT: Tax Exemption/Farm Equipment

DATE: April 10, 2001

REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Weidenbenner	Poole	AG	Favorable
2.	_____	_____	FT	_____
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

## I. Summary:

This bill eliminates the two and one-half percent (2 ½%) sales tax rate on qualifying farm equipment and revises the list of items exempt from tax on account of agricultural use.

This bill substantially amends section 212.08 of the Florida Statutes and amends section 212.12 to conform.

## II. Present Situation:

A tax is imposed on the sale, rental, lease, use, consumption, or storage of self-propelled, power-drawn, or power-driven farm equipment used exclusively in agricultural production on a farm or in a forest. The tax rate was reduced from six percent (6%) to three percent (3%) in 1988 and from three percent (3%) to two and one-half percent (2 ½%) effective January 1, 2001. Certain supply-type items, when used in agricultural production, are exempt entirely from the tax.

The Department of Revenue is authorized to make rules to apply sales and use tax to covered transactions.

## III. Effect of Proposed Changes:

**Section 1.** Amends s. 212.08 to:

- Eliminate entirely the two and one-half percent (2 ½%) sales tax imposed on the sale, rental, lease, use, consumption, or storage of self-propelled, power-drawn, or power-driven farm equipment used exclusively in agricultural production on a farm or in a forest.

- Revise the list of items exempt on account of use in agriculture as follows:
  - Materials exempt due to use for “..protection from *frost or insects*..” is changed to read “..protection from *weather or pest*...”
  - “Twine used for baling *hay*” is changed to read “twine used for baling *forage*.”

**Section 2.** Amends s. 212.12(11) to reflect that the Department of Revenue’s authority to provide rules for collecting tax is no longer applicable to transactions previously taxable under s. 212.08.

**Section 3.** Provides an effective date of January 1, 2002.

**IV. Constitutional Issues:**

A. Municipality/County Mandates Restrictions:

The bill’s exemption to sales tax has the effect of creating an exemption to any local option sales surtax and this will reduce local revenues. Section 18(b) of Article VII, Florida Constitution, requires an extraordinary two-thirds vote of each house to pass any bill that results in the reduction in the authority of municipalities or counties to raise revenues that they possessed on January 1, 1989. If the impact (see Tax/Fee Issues) is deemed to be significant, the bill must be approved by two-thirds vote of each house.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

D. Other Constitutional Issues:

None.

**V. Economic Impact and Fiscal Note:**

A. Tax/Fee Issues:

The Revenue Estimating Conference estimates that sales and use tax revenues will be decreased due to the exemption on qualifying equipment and farm supplies as follows:

		<b>Trust Fund</b>	<b>Current Year</b>	<b>FY 2001-2002</b>	<b>FY 2002-2003</b>
<b>Recurring:</b>	<b>Exemption:</b>				
Sales and Use Tax	Farm equipment	GR	(4.3)	(10.3)	(10.6)
Sales and Use Tax	Farm equipment	Local	(.8)	(2.1)	(2.2)
<b>Total (in millions)</b>			<b>\$(5.1)</b>	<b>\$(12.4)</b>	<b>\$(12.8)</b>

**B. Private Sector Impact:**

Farmers and others involved in agriculture will benefit by paying less sales and use taxes each year. Also some suppliers and vendors may gain some business that has been going to competitors in adjacent states that have minimal or no sales tax on agricultural equipment.

**C. Government Sector Impact:**

None.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Amendments:**

None.