

STORAGE NAME: h0963a.ag.doc
DATE: March 20, 2001

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
AGRICULTURE & CONSUMER AFFAIRS
ANALYSIS**

BILL #: HB 963
RELATING TO: Tax on sales, use, and other transactions
SPONSOR(S): Representative(s) Spratt & others
TIED BILL(S): None

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

- (1) AGRICULTURE & CONSUMER AFFAIRS (CCC) YEAS 7 NAYS 0
 - (2) FISCAL POLICY & RESOURCES (FRC)
 - (3) COUNCIL FOR COMPETITIVE COMMERCE
 - (4)
 - (5)
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I. SUMMARY:

HB 963 exempts self-propelled, power-drawn, or power-driven farm equipment from sales and use taxes. In addition, the bill expands the use of coverings for protection from weather or pests and expands the products that may be used by agricultural producers for baling forage crops.

The Revenue Estimating Conference has not yet examined HB 963; therefore, the fiscal impact has not been determined. However, in August 2000, the estimated fiscal impact for this legislation was (\$14.2) million.

The effective date of this legislation is January 1, 2002.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|---|-----------------------------|---|
| 1. <u>Less Government</u> | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| 2. <u>Lower Taxes</u> | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| 3. <u>Individual Freedom</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a "no" above, please explain:

B. PRESENT SITUATION:

Prior to October 1, 1998, Florida law provided a partial sales and use tax exemption rate of three percent on farm equipment either self-propelled or power-drawn or used exclusively by a farmer on a farm owned, leased or sharecropped by the farmer in plowing, cultivating, or harvesting crops. In s. 212.08(3), F.S., (1998 Supplement), the 1998 Legislature extended the partial exemption to self-propelled, power-drawn, or power-driven farm equipment used on a farm or in a forest for plowing, planting, cultivating, or harvesting crops or products in agricultural industries or for related fire prevention and suppression. The partial exemption does not include equipment used in post-harvest processing or marketing activities.

During the 2000 legislative session, the sales and use tax rate was reduced from 3 percent to 2.5 percent. Also, the list of specified activities in which the equipment must be used was replaced with the requirement that the equipment must be used in "agricultural production," and a definition for "agricultural production" was provided.

According to testimony from those representing agricultural interests, even with a partial exemption, it is difficult for farmers, loggers, custom combiners, equipment suppliers/dealers and others to compete with their counterparts in neighboring states. Florida's tax rate is higher than the rate in Georgia (0%), South Carolina (0%), Tennessee (0%), North Carolina (1% with an \$80 cap), and Alabama (1.5%).

Current law allows exemptions for baling wire and twine used for baling hay. However, changes in technology over the past few years have improved the methods that farmers use to produce and store crops, thus changing the products that are used.

C. EFFECT OF PROPOSED CHANGES:

HB 963 exempts qualified farm equipment from sales and use tax. In addition, the bill expands the use of crop storage coverings for protection from weather or pests. The change from frost and insects to weather and pests was necessary to include other climatic conditions such as rain and extreme heat, as well as diseases introduced by plants and animals.

And lastly, the bill expands the products that may be used by agricultural producers for baling forage crops. Changes in technology have often led farmers to use bags and wraps, rather than wire or twine, for baling forage crops.

D. SECTION-BY-SECTION ANALYSIS:

Section 1: Amends s. 212.08, F.S.; exempting agricultural equipment that is self-propelled, power-drawn or power-driven from sales and use tax; clarifying exemption for materials used to protect agricultural products from weather or pests; and, exempting wraps and bags when used by a farmer to bale forage.

Section 2: Amends s. 212.12, F.S., reflecting the exemption of sales and use tax on qualified farm equipment.

Section 3: Provides an effective date of January 2, 2002.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

See Fiscal Comments.

2. Expenditures:

See Fiscal Comments

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

See Fiscal Comments.

2. Expenditures:

See Fiscal Comments.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Farmers and others involved in agricultural production will benefit by paying less sales and use tax each year.

D. FISCAL COMMENTS:

The Revenue Estimating Conference has not yet examined HB 963; therefore, the fiscal impact has not been determined. However, in August 2000, the estimated fiscal impact for this legislation was (\$14.2) million.

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

A. APPLICABILITY OF THE MANDATES PROVISION:

The bill does not require counties or municipalities to spend funds or to taken action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

Although the bill will reduce the authority of municipalities and counties to raise revenues, the impact is expected to be insignificant and the bill is therefore exempt from the provisions of Article VII, Section 18(b), Florida Constitution.

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

While the bill will reduce the amount of the Local 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:

A. CONSTITUTIONAL ISSUES:

None.

B. RULE-MAKING AUTHORITY:

None.

C. OTHER COMMENTS:

None.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

None.

VII. SIGNATURES:

COMMITTEE ON AGRICULTURE & CONSUMER AFFAIRS :

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