

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.)

Prepared By: Government Efficiency Appropriations Committee

BILL: CS/SB 696

SPONSOR: Government Efficiency Appropriations Committee, Senator Smith and others

SUBJECT: Sales Tax Exemption/Farm Equipment

DATE: April 26, 2005

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Weidenbenner	Poole	AG	Favorable
2.	Keating	Johansen	GE	Fav/CS
3.			WM	
4.				
5.				
6.				

I. Summary:

This bill eliminates the 2.5 percent sales tax that is imposed on purchases of power farm equipment that is used exclusively in agricultural production on a farm or in forestry and fire prevention work. It also adds generators and power units used to power irrigation equipment to the list of exempt equipment.

This bill substantially amends sections 212.02, 212.08(3) and 212.12(11) of the Florida Statutes.

II. Present Situation:

Florida's sales and use tax is a 6 percent levy on retail sales of most tangible personal property, admissions, transient lodgings, commercial rentals, and motor vehicles. 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(3), F.S., provides a partial exemption for certain farm equipment. The sale, rental, lease, or use, or storage for use in Florida of self-propelled, power-drawn, or power-driven farm equipment used exclusively on a farm or in a forest in the agricultural production of crops or for fire prevention and suppression work is taxable at the rate of 2.5 percent.

This partial exemption was originally adopted in 1963 at the rate of 3 percent on the sale, rental, lease, use, consumption, or storage for use of self-propelled or power-drawn farm equipment used exclusively on a farm or in agricultural production. In 1998, the legislature expanded the exemption to include power-driven farm equipment and equipment used in a forest for fire

prevention and suppression work.¹ The 2000 Legislature increased the partial sales tax exemption to 2.5 percent.²

In addition to the state rate of 6 percent, s. 212.055, F.S., authorizes counties to impose seven local discretionary sales surtaxes on all transactions occurring in the county subject to the state tax imposed on sales, use, services, rental, and admissions. The tax is not subject to any sales amount above \$5,000 on any item of tangible personal property, long distance telephone service or any other service.

III. Effect of Proposed Changes:

Section 1. The bill amends s. 212.02, F.S., deleting definitions for “self-propelled,” “power drawn,” and “power driven” farm equipment. The bill creates a definition for “power farm equipment” to mean moving or stationary equipment that contains within itself the means for its own propulsion or power and moving or stationary equipment that is dependent upon an external power source to perform its functions.

Section 2. The bill amends s. 212.08(3), F.S., providing a total sales tax exemption on the sale, rental, lease, use, consumption, or storage for use in Florida of power farm equipment used exclusively on a farm or in a forest in the agricultural production of crops or products. The definition of power farm equipment includes generators and power units used to power irrigation equipment.

Section 3. The bill amends s. 212.12, F.S., correcting a cross-reference to conform to the provisions of the bill.

Section 4. The bill provides that this act shall take effect July 1, 2005.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

This bill falls under subsection (b) of s. 18 of Art. 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, this PCS has the effect of adding an exemption to the local option county sales surtax. Since the annual local revenue loss is estimated to be more than \$1.7 million, this bill will not be exempt from the requirements of subsection (b).

B. Public Records/Open Meetings Issues:

None.

¹ Chapter 98-294, Laws of Florida.

² Chapter 2000-276, Laws of Florida.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:**A. Tax/Fee Issues:**

The Revenue Estimating Impact Conference estimated the fiscal impact of the bill to be:

	General Revenue		State Trust		Local		Total (millions)	
Issue	FY 2005-06	Recurr.	FY 2005-06	Recurr.	FY 2005-06	Recurr.	FY 2005-06	Recurr.
Ag. Equip.	(6.9)	(7.5)	(*)	(*)	(1.5)	(1.6)	(8.4)	(9.1)
Irrig. Equip. Power-units	(0.8)	(0.9)	(*)	(*)	(0.2)	(0.2)	(1.0)	(1.1)
Generators	<u>(1.6)</u>	<u>(1.7)</u>	<u>(*)</u>	<u>(*)</u>	<u>(0.3)</u>	<u>(0.3)</u>	<u>(1.9)</u>	<u>(2.0)</u>
Total	(9.3)	(10.1)	(*)	(*)	(2.0)	(2.1)	(11.3)	(12.2)

B. Private Sector Impact:

Purchasers of exempt farm equipment would no longer have to pay state sales tax at the rate of 2.5 percent or applicable local discretionary sales surtaxes. In addition, purchases of exempt generators and power units used to power irrigation equipment would no longer have to pay state sales tax at the rate of 6 percent or applicable local discretionary sales surtaxes.

C. Government Sector Impact:

The Department of Revenue will need to make computer software changes, revise Sales and Use Tax Returns, prepare educational materials, and amend existing rules.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

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

VIII. Summary of Amendments:

None.

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