

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 111 Hurricane Preparedness

SPONSOR(S): Nehr and others

TIED BILLS: **IDEN./SIM. BILLS:** SB 86

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) <u>Committee on Economic Development</u>	<u>10 Y, 0 N</u>	<u>Rojas</u>	<u>Croom</u>
2) <u>Economic Expansion & Infrastructure Council</u>	<u></u>	<u>Rojas</u>	<u>Tinker</u>
3) <u>Policy & Budget Council</u>	<u></u>	<u></u>	<u></u>
4) <u></u>	<u></u>	<u></u>	<u></u>
5) <u></u>	<u></u>	<u></u>	<u></u>

SUMMARY ANALYSIS

This bill provides that no sales tax will be collected on certain items from June 1, 2008 through June 12, 2008. This coincides with the first day of hurricane season (June 1). Chapter 2007-25, Laws of Florida, authorized a similar sales tax exemption for hurricane preparedness items from June 1, 2007, through June 12, 2007.

The bill authorizes the Department of Revenue (DOR) to adopt rules in order to administer the provisions and provides an appropriation to DOR, in the amount of \$289,100 for the current fiscal year (2007-08); these funds will be used to print and mail Tax Information Publications (TIPs) to sales and use tax dealers prior to the start of the holiday. DOR has stated that no rulemaking was required to implement the tax-exemption period in 2005, 2006, or 2007.

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Ensure lower taxes: This bill creates a 12-day sales tax holiday, beginning June 1, 2008, on certain supplies purchased in Florida to prepare for hurricane season.

B. EFFECT OF PROPOSED CHANGES:

Ch. 212, F.S., imposes a state sales tax on the sale of tangible personal property and authorizes local option taxes on such sales. This bill provides that no sales tax will be collected on certain items from June 1, 2008 through June 12, 2008. This coincides with the first day of hurricane season (June 1).

The list of exempt items includes: (a) any portable self-powered light source selling for \$20 or less; (b) any portable self-powered radio, two-way radio, or weatherband radio selling for \$75 or less; (c) any tarpaulin or other flexible waterproof sheeting selling for \$50 or less; (d) any ground anchor system or tie-down kit selling for \$50 or less; (e) any gas or diesel fuel tank selling for \$25 or less; (f) any package of AAA-cell, AA-cell, C-cell, D-cell, 6-volt, or 9-volt batteries, excluding automobile and boat batteries, selling for \$30 or less; (g) any cell phone battery selling for \$60 or less and any cell phone charger selling for \$40 or less; (h) any nonelectric food storage cooler selling for \$30 or less; (i) any portable generator used to provide light or communications or preserve food in the event of a power outage selling for \$1,000 or less; (j) any storm shutter device selling for \$200 or less; (k) any carbon monoxide detector selling for \$75 or less; (l) any re-usable ice selling for \$10 or less; and (m) any single product consisting of two or more of the items listed in (a)-(l) selling for \$75 or less; (n) any boat anchor selling for \$100 or less; any marine battery; or any fender, anchor chain, dock line, or similar device used to protect a boat tied up at a dock and selling for \$300 or less; or (o) any missile resistant, impact-rated single garage door selling for \$500 or less or double garage door selling for \$1,000 or less.

The bill defines "storm shutter device" as any materials and products manufactured, rated, and marketed specifically for the purpose of preventing window damage from storms.

The bill defines "missile resistant, impact-rated garage door" as garage door materials and products manufactured, rated, and marketed specifically for the purpose of preventing housing structural damage from storms and debris.

The provisions of this bill do not apply to sales within an airport as defined in s. 330.27, F.S., within a public lodging establishment as defined in s. 509.013, F.S., or within a theme park or entertainment complex as defined in s. 509.013, F.S.

The bill authorizes the Department of Revenue (DOR) to adopt rules in order to administer the provisions and provides an appropriation to DOR, in the amount of \$289,100 for the current fiscal year (2007-08); these funds will be used to print and mail Tax Information Publications (TIPs) to sales and use tax dealers prior to the start of the holiday. DOR has stated in their analysis that no rulemaking was required to implement the tax-exemption period in 2005, 2006, or 2007.

Chapter 2007-25, Laws of Florida, authorized a similar sales tax exemption for hurricane preparedness items from June 1, 2007, through June 12, 2007.

C. SECTION DIRECTORY:

Section 1. Provides a sales tax exemption for certain supplies from June 1, 2008, through June 12, 2008; provides exceptions to this exemption; provides rule-making authority to the Department of Revenue.

Section 2. Appropriates \$289,100 from General Revenue to the Department of Revenue to administer this sales tax holiday.

Section 3. Provides that the act will become effective upon becoming a law.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

The Revenue Estimating Conference did not estimate the impact of this bill. However, the Conference did provide an estimate of the impact of a sales tax holiday that includes the exact same provisions as the 2007 legislation which is a negative fiscal impact of \$12.3 million to General Revenue. Amendments adopted by the Committee on Economic Development make this bill identical to the 2007 legislation.

2. Expenditures:

The bill provides an appropriation of \$289,100 to administer the sales tax holiday in the current fiscal year.

Tax Information Publication (TIP) Printing Costs	\$72,305
<u>1st Class Postage</u>	<u>\$214,500</u>
Total	\$289,100

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

The Revenue Estimating Conference estimates that this bill will have a \$2.8 million negative fiscal impact on local governments.

	2007-08
Revenue Sharing	(\$0.4m)
Local Gov't. Half Cent	(\$1.2m)
<u>Local Option</u>	<u>(\$1.2m)</u>
Total Local Impact	(\$2.8m)

2. Expenditures:
None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Persons that purchase the items covered by this bill during the specified periods will save money by not having to pay a sales tax on the items covered by this bill. In addition, the availability of the sales tax exemption may prompt some consumers to purchase more of the items eligible for the exemption, thereby causing an increase in the number of sales by Florida retailers.

D. FISCAL COMMENTS:

The bill provides a FY 2007-08 appropriation of \$289,100 for the Department of Revenue to administer the bill's provisions.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

This bill will reduce the authority of counties to raise revenues in the aggregate through local option sales taxes. No exemption applies. Therefore, the bill may be a mandate requiring a two-thirds vote of the membership of each house.

2. Other:
None.

B. RULE-MAKING AUTHORITY:

This bill gives the Department of Revenue authority to adopt rules concerning this tax holiday.

C. DRAFTING ISSUES OR OTHER COMMENTS:

The applicable time period for the sales tax exemption during 2008 is June 1 through June 12. Depending upon when the bill potentially becomes a law (after passage by the Legislature and approval of the Governor), the bill may not be effective during some portion, or all, of that time period. This may reduce the fiscal impact of the bill for FY 2007-08.

Two exemptions in the bill seem to receive contradictory treatment. Provision (f) excludes any boat batteries from the exemption while Provision (n) indicates that any marine battery is exempt from sales tax during the effective period.

D. STATEMENT OF THE SPONSOR

No statement submitted.

IV. AMENDMENTS/COUNCIL SUBSTITUTE CHANGES

On Thursday, March 13, 2008, the Committee on Economic Development adopted one amendment which was adopted without objection. The amendment eliminates the following exemptions from the bill:

- Any boat anchor selling for \$100 or less; any marine battery; or any fender, anchor chain, dock line, or similar device used to protect a boat tied up at a dock and selling for \$300 or less.
- Any missile resistant, impact-rated single garage door selling for \$500 or less or double garage door selling for \$1,000 or less.