

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

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

Prepared By: The Professional Staff of the Committee on Community Affairs

BILL: SB 534

INTRODUCER: Senators Latvala and Diaz de la Portilla

SUBJECT: Tax Exemptions

DATE: March 11, 2014

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Weidenbenner</u>	<u>Halley</u>	<u>AG</u>	Favorable
2.	<u>White</u>	<u>Yeatman</u>	<u>CA</u>	Pre-meeting
3.	_____	_____	<u>AFT</u>	_____
4.	_____	_____	<u>AP</u>	_____

I. Summary:

SB 534 creates exemptions from sales tax for common remedies and supplies used in the treatment of animals and non-prescription, special diet food items intended for treatment of a health disorder, as diagnosed by a licensed veterinarian.

II. Present Situation:

Sales Tax Exemption on Common Household Remedies - Medical

A variety of medical items are exempt from sales tax if for human beings, but not exempt if for animals.¹ A list of nontaxable medical items for humans is incorporated into the Department of Revenue's (DOR) Rules, and includes test kits, prosthetics, and household remedies.² Section 212.08(2)(a), F.S., explains that common household remedies are "recommended and generally sold for internal or external use in the cure, mitigation, treatment, or prevention of illness or disease in human beings." In addition, any common household remedy is exempt, so long as it is dispensed according to a prescription written by a licensed practitioner authorized by Florida law to prescribe medicinal drugs.³ Additionally, DOR specifically lists 78 common household remedies that are exempt even without a prescription, including such things as:⁴

- Allergy relief products,
- Burn ointments,
- Cod liver oil,
- Disinfectants,

¹ See Section 212.08(2)(a), F.S.

² Rule 12A-1. F.A.C.

³Department of Revenue, *Nontaxable Medical Items and General Grocery List*, available at <http://dor.myflorida.com/dor/forms/current/dr46nt.pdf> (last visited Feb. 3, 2014).

⁴*Id.*

- Eye patches,
- Gauze,
- Hydrogen peroxide,
- Insulin,
- Lice treatments,
- Motion sickness remedies, and
- Worming treatments.

Sales Tax Exemptions for Veterinarians

In 1998, the Legislature created a sales tax exemption for veterinarians' purchases of commonly recognized substances possessing curative or remedial properties that are ordered and dispensed as treatment for a diagnosed health disorder according to a prescription.⁵ In addition to being exempt from paying sales tax on prescribed substances, veterinarians do not pay sales tax when they purchase antiseptics, absorbent cotton, gauze for bandages, lotions, vitamins, and worm remedies.⁶

Therapeutic Diet Food for Animals

Therapeutic diet food is specially formulated for use in the treatment of animals with specific diagnosed illnesses. These foods are sometimes colloquially referred to as "prescription diets," although a prescription is not required for purchase. The sale of special diet food items for animals is currently subject to sales tax, regardless of confusing naming or labeling.

III. Effect of Proposed Changes:

Section 1 amends s. 212.08(2), F.S., by expanding the scope of the sales tax exemption for common household remedies to also include common remedies for animals. Additionally, the bill creates a sales tax exemption for sales of non-prescription, special diet food items that are intended as treatment of a diagnosed health disorder by a licensed veterinarian.

Section 2 provides that the bill takes effect July 1, 2014.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

Article VII, section 18(b) of the Florida Constitution requires any general law that reduces a local government's authority to raise revenues in the aggregate to be passed by a two-thirds vote of the membership of each house of the Legislature.⁷ However, such a bill may be exempt under art. VII, s. 18(d) of the Florida Constitution if it has an

⁵ Chapter 98-143, s. 1, Laws of Fla. (creating s. 212.08(2)(h), F.S., effective July 1, 1998).

⁶ Section 212.08(2)(h), F.S.

⁷ FLA. CONST. art. VII, s. 18(b).

insignificant fiscal impact.⁸ The portions of this bill relating to special diet food for animals would reduce local sales taxes by between \$500,000 and \$700,000, annually. Portions of this bill relating to a sales tax exemption for common household remedies have not been studied for their potential fiscal impact to local government revenues. It cannot presently be ascertained whether this bill would be exempt from the two-thirds vote requirement, under art. VII, s. 18(d) of the Florida Constitution.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

According to the Revenue Estimating Conference, it appears the portions of this bill exempting special diet food from sales taxes would reduce the amount of sales tax going to the General Revenue fund by at least \$2.3 million annually. Additionally, it would reduce local sales taxes by between \$500,000 and \$700,000 annually.⁹

B. Private Sector Impact:

Animal owners will be relieved of an estimated \$2.8 million of sales taxes on special diet food for animals, and an indeterminate positive fiscal benefit for the sales tax exemption on common household remedies.

C. Government Sector Impact:

The Department of Revenue estimates that implementation of this bill will result in an insignificant impact to its operations.¹⁰

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

⁸ An insignificant fiscal impact means an amount not greater than ten cents times the average statewide population for the applicable fiscal year. FLA. CONST. art. VII, s. 18(d); Revenue Estimating Conference, *Analysis of SB534* (adopted Feb. 21, 2014).

⁹ *Id.*

¹⁰ Department of Revenue, *Senate Bill 534 Analysis* (Jan. 2, 2014).

VIII. Statutes Affected:

This bill substantially amends section 212.08 of the Florida Statutes.

IX. Additional Information:

A. Committee Substitute – Statement of Changes:

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

B. Amendments:

None.

This Senate Bill Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.
