

**HOUSE OF REPRESENTATIVES STAFF ANALYSIS**

**BILL #:** HB 201 Sales Tax Holiday for ENERGY STAR & WaterSense Products

**SPONSOR(S):** Daley and others

**TIED BILLS:** **IDEN./SIM. BILLS:** SB 356

<b>REFERENCE</b>	<b>ACTION</b>	<b>ANALYST</b>	<b>STAFF DIRECTOR or BUDGET/POLICY CHIEF</b>
1) Ways & Means Committee	18 Y, 0 N	Berg	Aldridge
2) Commerce Committee			
3) Appropriations Committee			

**SUMMARY ANALYSIS**

The bill provides for a temporary sales tax holiday for the sale of certain energy and water efficient appliances during the period from April 22, 2022 through April 24, 2022. Eligible items must bear either an ENERGY STAR or WaterSense label, and must have been certified as water or energy efficient, as applicable, by the United States Environmental Protection Agency by April 1, 2022.

The Revenue Estimating Conference estimated that the bill will have a non-recurring impact of -\$4.4 million on General Revenue and -\$1.3 million on local government revenue in FY 2021-22.

The effective date of the bill is July 1, 2022.

# FULL ANALYSIS

## I. SUBSTANTIVE ANALYSIS

### A. EFFECT OF PROPOSED CHANGES:

#### Current Situation

##### Sales Tax

The state of Florida generally levies a 6 percent sales and use tax on the retail sale or rental of most tangible personal property, admissions, transient lodging rentals, rental of commercial real estate, and a limited number of services.<sup>1</sup> In addition, Florida authorizes several local option sales taxes that are levied at the county level on transactions that are subject to the state sales tax and are in addition to the state sales tax. 66 counties have a local option sales tax with rates ranging from half a percent (0.5%) to one and a half percent (1.5%). Generally, sales tax is added to the price of the taxable goods or services and collected from the purchaser at the time of sale.

##### ENERGYSTAR and WaterSense Programs

The federal government, through the Environmental Protection Agency, certifies a number of products for their efficiency under two similar programs. The ENERGY STAR program certifies products that are energy efficient,<sup>2</sup> and the WaterSense program certifies products that are water efficient.<sup>3</sup> Products in each of these programs are normally affixed with a label noting their certification under the applicable program.<sup>4</sup>

##### Sales Tax Holidays for Energy and Water Efficient Products

Since 1998, the Legislature has enacted more than two dozen temporary periods (commonly called “sales tax holidays”) during which specified items were exempted from sales tax. One of these holidays was related to sales of energy efficient products, and one was related to sales of energy and water efficient products.

From October 5 through October 11, 2006, Florida exempted the following energy efficient products priced under \$1,500 and that met or exceeded the requirements of the federal ENERGY STAR program and were sold for noncommercial home or personal use:<sup>5</sup>

- Refrigerators,
- Dishwashers,
- Clothes washers,
- Air conditioners,
- Ceiling fans,
- Light bulbs,
- Dehumidifiers, and
- Thermostats.

From September 19, 2014 through September 21, 2014, Florida exempted the first \$1,500 of the sales price for the following new ENERGY STAR product or WaterSense products.<sup>6</sup> The following items were exempted in each category:

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<sup>1</sup> The Legislature reduced the sales tax rate on commercial rentals to 5.5% effective January 1, 2020. See s. 5, ch. 2019-42, L.O.F.

<sup>2</sup> Information about this program is available at <https://www.energystar.gov/about> (last accessed January 10, 2022).

<sup>3</sup> Information about this program is available at <https://www.epa.gov/watersense> (last accessed January 10, 2022).

<sup>4</sup> See <https://www.epa.gov/watersense/watersense-label> and <https://www.energystar.gov/products> for more information about labeling and qualifying products (both sites last accessed January 10, 2022).

<sup>5</sup> S. 6, Ch. 2006-230, L.O.F.

<sup>6</sup> S. 21, Ch. 2014-38, L.O.F.

**ENERGY STAR products:**

- Room air conditioners,
- Air purifiers,
- Ceiling fans,
- Clothes washers,
- Clothes dryers,
- Dehumidifiers,
- Dishwashers,
- Freezers,
- Refrigerators,
- Water heaters,
- Swimming pool pumps, and
- Light bulbs.

**WaterSense products:**

- Bathroom sink faucets,
- Faucet accessories,
- High-efficiency toilets and urinals,
- Showerheads, and
- Weather or sensor-based irrigation controllers.

A person was limited to a single purchase for each specific type of item listed above with a sales price over \$500 during the holiday. A second purchase of the same type of product was subject to tax on the entire price. There was no requirement that the purchase be for personal use, or any specific prohibition against purchases for commercial use beyond the limit on the number of items that could be purchased without paying tax.

**Proposed Changes**

The bill provides that no sales tax will be collected on the retail sale of a new ENERGY STAR product or WaterSense product during the period beginning on April 22, 2022, and ending on April 24, 2022. To qualify for the program, the product must bear the applicable label and must have been certified by April 1, 2022.

**ENERGY STAR products eligible for this sales tax holiday are:**

- Room air conditioners,
- Air purifiers,
- Ceiling fans,
- Clothes washers,
- Clothes dryers,
- Dehumidifiers,
- Dishwashers,
- Freezers,
- Refrigerators,
- Water heaters,
- Swimming pool pumps, and
- Light bulbs.

**WaterSense products eligible for this sales tax holiday are:**

- Bathroom sink faucets,
- Faucet accessories,
- High-efficiency toilets and urinals,
- Showerheads, and
- Weather or sensor-based irrigation controllers.

**B. SECTION DIRECTORY:**

Section 1: Provides an exemption from sales and use tax for the retail sale of certain energy or water efficient appliances during a specified period.

Section 2: Provides an effective date.

## II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

### A. FISCAL IMPACT ON STATE GOVERNMENT:

#### 1. Revenues:

The Revenue Estimating Conference estimated that the bill will have a non-recurring impact of negative \$4.4 million on General Revenue in FY 2021-22.

#### 2. Expenditures:

None.

### B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

#### 1. Revenues:

The Revenue Estimating Conference estimated that the bill will have a non-recurring impact of negative \$1.3 million on local government revenue in FY 2021-22.

#### 2. Expenditures:

None.

### C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The sales tax holiday will provide tax relief to Florida consumers.

### D. FISCAL COMMENTS:

None.

## III. COMMENTS

### A. CONSTITUTIONAL ISSUES:

#### 1. Applicability of Municipality/County Mandates Provision:

Not applicable.

#### 2. Other:

None.

### B. RULE-MAKING AUTHORITY:

The bill provides the Department of Revenue with emergency rulemaking authority to administer the sales tax holiday.

### C. DRAFTING ISSUES OR OTHER COMMENTS:

The effective date of the bill is after the holiday has ended.

WaterSense products are approved by the federal government on a rolling basis, but the approval database provided by the EPA does not include the date of approval. It may be difficult for a dealer to confirm if a particular product was approved before or after the April 1, 2022 cutoff date. The ENERGY STAR database includes a date of certification for each item, so those products do not have this issue.

## IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES