REVENUE ESTIMATING CONFERENCE

TAX: Sales and Use Tax

ISSUE: Proposed Sales Tax Holiday on self-powered light sources \$20 or less, portable self-powered radios \$75 less, portable generators \$1,000 or less, tarpaulins \$50 or less, certain ground anchor systems \$50 or less, gas or diesel fuel tanks \$25 or less, certain batteries \$30 or less, cell phone batteries \$60 or less, cell phone chargers \$40 or less, non-electric food storage coolers \$30 or less, specified storm shutter devices for \$200 or less, carbon monoxide detectors for \$75 or less, reusable ice for \$10 or less, and any single product consisting of two or more of the items listed above for \$75 or less from June 1 through June 12, 2009. **BILL NUMBER(S):** SB 214 **SPONSOR(S):** Senator Baker

MONTH/YEAR COLLECTION IMPACT BEGINS: June 2009 DATE OF ANALYSIS: February 27, 2009

SECTION 1: NARRATIVE

a. Current Law:

All purchases of items listed in SB 214 are subject to the 6% statewide sales and use tax under ch. 212, F.S.

b. Proposed Change:

This bill has a current year impact.

Purchases shown below will be exempt from paying sales tax during the exemption period as long as these items sell for the price indicated. The exemption period runs from June 1, 2009 through June 12, 2009 (twelve days, first day on a Saturday).

Exempt Item at	Exempt purchase price
Portable self-powered light source	\$ 20 or less
Portable self-powered radio, two-way radio or weather band radio	\$ 75 or less
Tarpaulin or other flexible waterproof sheeting	\$ 50 or less
Ground anchor system or tie-down kit	\$ 50 or less
Gas or diesel fuel tank	\$ 25 or less
Packages of AAA-cell, AA-cell, C-cell, D-cell, 6-volt or	
9-volt batteries, excluding automobile and boat batteries	\$ 30 or less
Cell phone batteries	\$ 60 or less
Cell phone chargers	\$ 40 or less
Non-electrical food storage cooler	\$ 30 or less
Portable generator	\$1,000 or less
Storm shutter device	\$ 200 or less
Carbon monoxide detector	\$ 75 or less
Reusable ice	\$ 10 or less
Any single product consisting of two or more of the items	\$ 75 or less
listed above	

The bill does not prohibit construction companies, building contractors, or commercial businesses or entities from purchasing any of the listed items. The bill does not exclude tax-exempt purchases made with business or company credit or debit cards or checks. Storm shutter devices are defined in the bills as "materials and products manufactured, rated, and marketed specifically for the purpose of preventing window damage from storms." The bill does not limit the number of storm shutter devices that may be purchased.

The bill includes a limitation on the exemption. Under the limitation, sales within an airport, a public lodging establishment, theme park or entertainment complex are not eligible for the sales tax exemption.

The bill authorizes the Department of Revenue to adopt emergency rules relating to the provisions of the bill. For FY 2008-09, \$311,183 is appropriated from General Revenue to the Department.

The bill takes effect upon becoming law.

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SPONSOR(S): Senator Baker

MONTH/YEAR COLLECTION IMPACT BEGINS: June 2009

DATE OF ANALYSIS: February 27, 2009

SECTION 2: DESCRIPTION OF DATA AND SOURCES

1. Federal Emergency Management Agency website at <u>www.fema.gov/hazards/hurricanes/whatshouldido.shtm</u> for hurricane preparedness information and at <u>www.fema.gov/fima/</u> (subheads for Protecting Your Property from Wind).

2. FINAL Report on Hurricane Claims from Florida Office of Insurance Regulation (August 2006) for reported claims and total loss claims from 2004 hurricanes and 2005 Hurricanes Dennis, Katrina, Rita and Wilma and October 20, 2008 Tropical Storm Fay Report at http://www.floir.com/Hurricanes/Seasonsinfo.aspx

3. Lowe's website at <u>www.lowes.com</u> for price comparisons.

4. Florida State sales figures for leading home improvement retailer from 6/4/2004 - 7/2/2004.

5. Estimate of Florida Median Household Income based on October 2008 Florida Demographic Estimating Conference and 2007 American Community Survey.

6. US Bureau of Labor Statistics, Consumer Expenditure Survey, 2007: Shares of average annual expenditures and sources of income.

7. Clips from Florida press coverage of hurricane sales tax holiday purchases in 2005 and 2006 holidays.

8. Florida and National Economic Estimating Conference, October 2008.

9. University of Florida's Bureau of Economic & Business Research, reports on Florida's 2004 hurricane season (Florida Focus Vol. 1, No. 2 "The Demographic Impact of the 2004 Hurricane Season in Florida" and Vol. 1, No. 3 "Florida's 2004 Hurricane Season: Local Effects").

10. National Hurricane Center historical records at http://www.nhc.noaa.gov/

11. Department of Revenue Sales Tax data.

SECTION 3: METHODOLOGY (INCLUDE ASSUMPTIONS AND ATTACH DETAILS)

See attached METHODOLOGY sheet for details of assumptions and methodology.

SECTION 4: PROPOSED FISCAL IMPACT

State Impact: All Funds	FY 2009-10 Annualized	FY 2008-09 Cash	FY 2010-11 Cash	FY 2011-12 Cash	FY 2012-13 Cash
High Exempt items pckg @ \$100 CO detectors Storm shutter devices Generators TOTAL	-0-	(\$ 3.2 M) (\$ 2.7 M) (\$ 81.8 M) (\$ 60.1 M) (\$147.8 M)	-0-	-0-	-0-
Middle Exempt items not shown separately below CO detectors Storm shutter devices Generators TOTAL	-0-	(\$ 2.8 M) (\$ 1.5 M) (\$ 47.5 M) (\$ 36.1 M) (\$ 87.8 M)	-0-	-0-	-0-
Low \$75 of exempt items not shown separately below CO detectors Storm shutter devices Generators TOTAL	-0-	(\$ 2.4 M) (\$ 0.2 M) (\$ 13.1 M) (\$ 12.0 M) (\$ 27.7 M)	-0-	-0-	-0-

REVENUE ESTIMATING CONFERENCE

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SPONSOR(S): Senator Baker

MONTH/YEAR COLLECTION IMPACT BEGINS: June 2009

DATE OF ANALYSIS: February 27, 2009

SECTION 5: CONSENSUS ESTIMATE (ADOPTED 3/14/09) The conference adopted the low estimate, with shutters and generators cut in half.

	FY 2009-10	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
	Annualized	Cash	Cash	Cash	Cash
General Revenue		(13.4)			
State Trust		(Insignificant)			
Total State Impact		(13.4)			
Revenue Sharing		(.4)			
Local Gov't Half Cent		(1.3)			
Local Option		(1.3)			
Total Local Impact		(3.0)			
Total Impact		(16.4)			

METHODOLOGY SB 214 as filed - TWELVE-DAY HURRICANE SALES TAX HOLIDAY HB 373 as filed - SEVEN-DAY HURRICANE SALES TAX HOLIDAY

1. # HOUSEHOLD PURCHASING ASSUMPTIONS:	2. EXEMPT ITEMS FROM PROPOSED HURRICANE HOLIDAY:			Contained in:
2004 Indices based on FINAL REPORT (4 hurricanes)	Exempt Items:	Exempt \$		
Reported Loss % HHs 3.2%	1 Any portable self-powered light source	\$	20.00	SB 214 & HB 373
Total Loss % HHs 2.3%	2 Any portable self-powered radio, two-way radio	\$	75.00	SB 214 & HB 373
2005 Indices based on FINAL REPORT (4 hurricanes)	or weatherband radio			'
Reported Loss % HHs 8.5%	3 Any tarpaulin or other flexible waterproof sheeting	\$	50.00	SB 214 & HB 373
Total Loss % HHs 5.8%	4 Any ground anchor system or tie-down kit	\$	50.00	SB 214 & HB 373
2008 Index based on Oct 20 2008 Report for Fay (1 storm)	5 Any gas or diesel fuel tank	\$	25.00	SB 214 & HB 373
Reported Loss % HHs 2.7%	6 Any package of AAA-cell, AA-cell, C-cell, D-cell, 6-volt,	\$	30.00	SB 214 & HB 373
	or 9-volt batteries, excluding automobile or boat			'
ASSUME: No hurricanes in 2006 and 2007 lessen	batteries			'
felt threat. Tropical Storm Fay (2008) most recent.	7 Any non-electric food storage cooler	\$	30.00	SB 214 & HB 373
Reported Loss % HHs = 4.8%	8 Any portable generator	\$	1,000.00	SB 214 & HB 373
(Average of Reported Loss %, 2004, 2005 & 2008)	9 Any cell phone battery	\$	60.00	SB 214 & HB 373
	10 Any cell phone charger	\$	40.00	SB 214 & HB 373
NOTE:	11 Any storm shutter device, defined in the bill	\$	200.00	SB 214 & HB 373
* SB 214 & HB 373 (2009) limit applicability of the	12 Any carbon monoxide detector	\$	75.00	SB 214 & HB 373
hurricane holiday to exclude sales within an airport,	13 Any reusable ice	\$	10.00	SB 214 & HB 373
within a lodging establishment, or within	14 Any single product consisting of two or more of	\$	75.00	SB 214 & HB 373
a theme park or entertainment complex.	the items in SB 92 / HB 211			

3. AVAILABLE CASH FOR PURCHASES ASSUMPTIONS:								Methodology for HH Ind	come
Using Florida After-Tax Income per Hhold			2007		2008		2009		
(2007 American Community Survey: Florida)		(FY06-07)			(FY 07-08)	(F	Y 08-09)	Florida Median HH inc	ome
Median Fla Household After-Tax Income =		\$	\$ 44,821 \$		46,053	\$ 46,737		is based on the 2007	
Using Bureau of Census avg annual expenditures					American Community	Survey			
2007 Consumer Expenditure Survey, all consumer units:		Fla	a \$ per HH		Fla \$ per HH	Fla	sper HH	reported Florida media	an
								HH income in the last	12
Shares of expenditures:								months (\$56,966).	
Food & alcoholic beverage	13.3%	\$	5,961	\$	6,125	\$	6,216	This value is grown by	the
Housing (includes * below)	34.1%	\$	15,284	\$	15,704	\$	15,937	October 2008 Florida	
Apparel & services	3.8%	\$	1,703	\$	1,750	\$	1,776	Economic Estimating	
Transportation	17.6%	\$	7,888	\$	8,105	\$	8,226	Conference growth in	
Health care	5.7%	\$	2,555	\$	2,625	\$	2,664	Personal Income per I	HH.
Entertainment	5.4%	\$	2,420	\$	2,487	\$	2,524	The growth rates are:	
All others, including:	20.1%	\$	9,009	\$	9,257	\$	9,394		
Personal care products & svcs, reading, education, tobacco								2007	4.2%
Miscellaneous								2008	2.8%
Cash contributions								2009	1.5%
Life insurance & other personal insurance								Ratio of Avg Annual E	xpends
	100.0%	\$	44,821	\$	46,053	\$	46,737	to Income Before Taxe	es,
								2007 CES (78.68%) is	used
*Maintenance, repairs, insurance & other expenses	2.3%	\$	1,031	\$	1,059	\$	1,075	to produce after-tax in	come.

4. GENERATOR INFORMATION AND ASSUMPTIONS:			2005 Hurricane Sales Tax Holiday
Anecdotal information re generator sales during Charley & Fran	nces		News story from Miami Herald, 6/27/05
	Charley	Frances	on 2005 Hurricane Sales Tax holiday:
Home Depot, 9/2/04 -	40,000		Lowes reported selling 28,000 generators
Lowes, 9/4/04 -	25,000	15,000	generators in Florida.
Home Depot, 9/14/04 - "tens of thousands" sold to date in Florida			2005 REC estimate was 14,180 (0.2% of HHs).

GENERATOR ASSUMPTIONS: MAX = Assume Lowes holds 10% of Florida market. Assume 85% of generators sold were tax-exempt. Keep same number all years. MIN = Assume Lowes sold 50% of generators. Assume 85% of generators sold were tax-exempt. Keep same number all years.

Prepared for February 27, 2009 Revenue Impact Conference

New information from DOR: Retailers saw changes in the ratio of exempt sales to gross sales ranging from no change to doubling of the percent of exempt sales. Applying this kind of pattern broadly across all retailers would imply a sales tax impact to the state of about \$15 M in 2006.

5. CARBON MONOXIDE DETECTOR ASSUMPTIONS:

MAX = Assume same number of HHs purchase CO detectors as MAX purchase generators. Price = maximum allowed. MIN = Assume same number of HHs purchase CO detectors as MAX purchase generators. Price = lowest price at Lowe's online.

6. STORM SHUTTER DEVICES ASSUMPTIONS:

The bill defines "storm shutter device" as "materials and products manufactured, rated, and marketed specifically for the purpose of preventing window damage from storms. The bill further limits the price of "storm shutter devices" to \$200 or less. Examples of sets of materials that fit this definition were provided by representatives of the Florida Retail Federation; the prices range from \$82.94 to \$184.63. Average price is assumed to be \$150.

MAX = Assume price of \$150 per window, 10 windows per house. Assume all windows are equipped with "storm shutter device." See range of HHs.

MIN = Assume 10 devices at \$82.94 per house. See range of HHs.

7. PACKAGED PURCHASES ASSUMPTIONS (included in EXEMPT ITEMS column):

MAX = Assume that 10% of HHs purchase \$100 of exempt items MIN = Assume that 10% of HHs purchase one package @ \$75

SB 214 - Hurricane Sales Tax Holiday FY 2008-09 Impact

	GENER	PT ITEMS r RATOR, CO M SHUTTE ges = mini	D DETECTOR R						
	USE RI	EPORTED	LOSS INDEX	Carbon	Monoxide DETEC	TOR	GE	NERATOR	
		MAX	MIN		MAX	MIN		MAX	
	\$	100	\$ 75	\$	75	\$5	\$	700	\$
OTAL Fla Households		7,499,799	7,499,799		7,499,799	7,499,799		7,499,799	7,499
OTAL HHs Purchasing		358,350	358,350		238,000	238,000		238,000	47
FOTAL Expenditures (\$M)	\$	35.84	\$ 26.88	\$	17.85	\$ 1.19	\$	166.60	\$ 3

Advantage Buying: CONSTRUCTION		Expenditure conomic Co								
	R Exp, 2008 xp, 2008-09			\$ \$	11.523 12.361 93%					
Additional for advantage]						
buying (1/2 of % above)	\$ 16.70	\$	12.53			\$ 8.32	\$ 0.55	\$	77.65	\$ 15.53
TOTAL	\$ 52.54	\$	39.40			\$ 26.17	\$ 1.74	\$	244.25	\$ 48.85
Behavioral Factor -						4.70	1.70			
(NY history had 1.73)	1		1			1.73	1.73		4.1	4.1
TOTAL Expenditures	\$ 52.54	\$	39.40			\$ 45.27	\$ 3.02	\$	1,001.44	\$ 200.29
Sales Tax Impact	\$ (3.2)	\$	(2.4)			\$ (2.7)	\$ (0.2)	\$	(60.1)	\$ (12.0)

	STORM SHUTTER DEVICES - RANGE OF SELECTED ALTERNATIVE ASSUMPTIONS												
	HIGHEST	•		Range of estimate	s from higher	to lower	LOWEST						
							MIN						
			GE										
	10% HHs	10% HHs 5% HHs MAX GENERATOR HHs 5% HHs 1% HHs 1% HHs											
	10 windows @	10 windows @	10 windows		10 windows @	10 windows @ 10 windo	ws 10 windows						
	\$150	\$82.94	@ \$150	10 windows @ \$150	\$82.94	\$150 @ \$82	.94 @ \$82.94						
	\$ 1,500	\$ 829	\$ 1,500	\$ 1,500	\$ 829	\$ 1,500 \$ 8	29 \$ 829						
TOTAL Fla Households	7,499,799	7,499,799	7,499,799	7,499,799	7,499,799	7,499,799 7,499,7	7,499,799						
TOTAL HHs Purchasing	358,350	749,980	374,990	238,000	374,990	74,998 74,9	98 47,600						
TOTAL Expenditures (\$M)	\$ 537.50	\$ 622.00	\$ 562.50	\$ 357.00	\$ 311.02	\$ 112.50 \$ 62.	20 \$ 39.48						

Advantage Buying:	Priva	te Non-Resid	dentia	I Expenditure	s as	s % of Resi	dentia	al Expenditures, Florida	à				1		
CONSTRUCTION From Oct 2008 Florida Economic Consensus Estimating Conference															
	Priv NR Exp, 2008-09 \$ 11.523												J		
	Res I	Exp, 2008-09)		\$	12.361 93%									
Additional															
for advantage buying (1/2 of % above)	\$	250.53	\$	289.92	\$	262.18	\$	166.40	\$	144.97	\$	52.44	\$	28.99	\$ 18.40
TOTAL	\$	788.03	\$	911.92	\$	824.68	\$	523.40	\$	455.98	\$	164.94	\$	91.20	\$ 57.88
Behavioral Factor -															
(NY history had 1.73)		1.73		1.73		1.73		1.73		1.73		1.73		1.73	3.77
TOTAL Expenditures	\$	1,363.29	\$	1,577.61	\$	1,426.70	\$	905.48	\$	788.85	\$	285.34	\$	157.77	\$ 218.21
Sales Tax Impact	\$	(81.8)	\$	(94.7)	\$	(85.6)	\$	(54.3)	\$	(47.3)	\$	(17.1)	\$	(9.5)	\$ (13.1)

SB 214 - Hurricane Sales Tax Holiday FY 2008-09 Impact

Summary of Impacts:	1	FY 20	08-09
		Impact	HHs
HIGH			
Exempt items in	\$	(3.2)	358,350
package @ \$100		()	,
CO detector	\$	(2.7)	238,000
Storm shutter devices	\$	(81.8)	358,350
Generators	\$ \$ \$	(60.1)	238,000
TOTAL	\$	(147.8)	\$ (328.45)
	То	tal purchase	per FLA HH
MID - average High/Low			
Exempt items except	\$	(2.8)	
CO detector, storm			
shutter devices, and			
generators			
CO detector	\$	(1.5)	
Storm shutter devices	\$ \$	(47.5)	
Generators		(36.1)	
TOTAL	\$	(87.8)	
	To	tal purchase	per FLA HH
LOW			
\$75 worth of	\$	(2.4)	358,350
exempt items			
CO detector	\$	(0.2)	238,000
Storm shutter devices	\$	(13.1)	47,600
Generators	\$	(12.0)	47,600
TOTAL	\$	(27.7)	\$ (61.56)
	To	tal purchase	per FLA HH

From Bureau of Economic & Business Research, University of Florida as of April 1, 2008 For 2008

For 2008							
					ETHODOLOGY TABL		- DO NOT ERASE
	HH2007	HH2008		ORT AUG 06		ORT AUG 06	OCT 20 08 RPT FAY
	Households		2004 HHs	2004 HHs	2005 HHs	2005 HHs	2008 HHs
FLORIDA	April 1 of 2007 7,443,963	2008 7,499,799	Reported Claims	Total Loss Claims	Reported Claims	Total Loss Claims	Reported Claims
TEORIDA	7,440,000	1,400,100	Olamis	Olainis	Oldinio	Olainis	Oldinis
Alachua	101,073	103,328	553	343	39	97	713
Baker	8,191	8,310	2		-	-	15
Bay	68,334	69,207	264		79	99	48
Bradford	9,320	9,391	5		-	-	10
Brevard Broward	232,821 702,139	234,944 700,315	14,342 11,943		1,179 219,290	1,001 156,387	42,290 21,990
Calhoun	5,039	4,968	-	5,552	-	-	1
Charlotte	75,572	76,018	3,799		83	104	91
Citrus	63,423	64,571	196	98	6	6	245
Clay	66,957	67,568	159		12	18	885
Collier	134,850	136,625	436		4,321	3,049	1,735
Columbia	23,875	24,206	29		2		68
Miami-Dade De Soto	11,265 5,986	11,448 6,068	7,963 97	· · · ·	268,109 2	162,386 1	334 4
Dixie	350,908	354,715	2		-	_ '	142
Duval	119,168	120,295	3,092		235	471	17,768
Escambia	39,822	40,267	7,161	10,432	1,444	951	24
Flagler	4,604	4,668	101	27	3	7	30
Franklin	17,387	17,692	-	-	4	24	5
Gadsden	6,062	6,150	3		2	2	26
Gilchrist	4,095	4,110	2			-	1
Glades	5,575	5,698	3		5	14	18
Gulf Hamilton	4,490 8,184	4,515 8,293	1	- 1	1	4	- 5
Hardee	11,990	12.685	- 47	- 135	- 1	- 1	3
Hendry	69,200	70,321	16		69	171	415
Hernando	42,685	43,288	222		13	19	48
Highlands	464,357	466,407	645	680	44	32	2,192
Hillsborough	7,260	7,361	6,603	4,431	532	577	13
Holmes	61,300	62,522	3		1	-	13
Indian River	17,854	18,032	2,082		198	175	274
Jackson Jefferson	5,224 2,392	5,270 2,435	9 1		3	2 1	7 4
Lafayette	120,853	121,120	- '	-		- '	4 24
Lake	266,150	267,930	1,547	710	44	77	6,698
Lee	111,125	112,317	11,350		4,915	2,375	1,303
Leon	16,350	16,618	96	96	88	197	645
Levy	2,435	2,587	14	12	-	-	3
Liberty	7,070	7,187			-	-	1
Madison	136,650	136,834	1	1	-	-	151
Manatee Marion	136,160 63,225	137,779 63,353	452 1,467		65 38	26 50	55 931
Martin	862,750	875,941	1,745		766	509	7,533
Monroe	35,610	34,296	11	25	831	11,612	93
Nassau	27,229	28,099	17		3	8	315
Okaloosa	76,950	77,516	1,435	906	473	281	23
Okeechobee	13,500	13,711	113		57	57	119
Orange	411,292	413,613	37,695		787	708	41,113
Osceola Palm Beach	94,319	96,075	3,077		50	41	682
Pain Beach Pasco	542,638 186,219	543,644 186,919	54,859 1,552		94,875 70	63,850 52	18,266 224
Pinellas	428,525	425,783	6,165		555	597	511
Polk	226,825	227,811	14,324		294	147	1,207
Putnam	29,550	29,750	95		3	-	98
Santa Rosa	70,525	73,261	1,588	3,146	1,090	678	264
Sarasota	109,892	111,766	451		105	95	1,006
Seminole	52,500	53,424	1,673		41	36	4,830
St. Johns	178,303	179,447	624		34	68	3,086
St. Lucie Sumter	163,000 36,435	163,669 38,415	8,448 52		2,916 3	1,718 6	5,581 73
Sumer	15,463	15,994	52 9		3 1	-	24
Taylor	7,995	8,089	2		1	4	15
Union	3,855	3,921	3		-	-	1
Unspecified C	County*		-	-	-	-	-
Volusia	215,719	216,613	10,975		185	268	16,484
Wakulla	10,613	11,165	1		6	67	19
Walton	23,904	24,406	58 3		20 1	15 2	7 1
Washington	8,932	9,055	219,683		603,994	2 409,143	200,803
			3.2%				2.7%