

REVENUE ESTIMATING CONFERENCE

Tax: Sales and Use Tax
Issue: Cement Mixers
Bill Number(s): Proposed Language

- Entire Bill**
- Partial Bill:**

Sponsor(s):
Month/Year Impact Begins: July 1, 2014
Date of Analysis: Feb 21, 2014

Section 1: Narrative

- a. **Current Law:** Under Section 212.08(7) only industrial machinery and equipment purchased by eligible manufacturing business *which is used at a fixed location* within the state are exempt.
- b. **Proposed Change:** 212.08(7)(kkk) adding in bold: “Industrial machinery and equipment purchased by eligible manufacturing businesses which is used at a fixed location within this state, **or a mixer drum, affixed to a mixer truck, used at any location within this state to mix, agitate, and transport freshly mixed concrete in a plastic state,** for the manufacture, processing, compounding, or production of items of tangible personal property for sale shall be exempt from the tax imposed by this chapter.”

Section 2: Description of Data and Sources

- Florida Department of Highway Safety and Motor Vehicles, Revenue Report, FY 2013
 <<http://www.flhsmv.gov/html/revpub/RevPubJuly2012June2013.pdf>>
- DHSMW Fee Schedule, <<http://www.flhsmv.gov/DHSMVfees.htm>>
- 1992 Florida Census of Transportation, US Department of Commerce, Bureau of the Census
- Revenue Estimating Conference, December 2013
- Direct Market Research

Section 3: Methodology (Include Assumptions and Attach Details)

See attached worksheets. Market research determined that, on average, a replacement cement mixer drum costs about \$10,000, including installation, and has a 5-year depreciation rate and a 10.5 yard drum size.

In Option 1, the weight of a cement mixer truck is assumed to be 44,000 pounds plus 3,800 pounds per yard of cargo. Florida DHSMV registration’s “Gross Vehicle Weight” (GVW) includes cargo; therefore, the Heavy Truck 72,000+ pound classification was used. An assumption was made that 30% of the number of Heavy Trucks registered as weighing more than 72 000 pounds are cement mixers. Total revenue accrued from Heavy Trucks of 72 000+ pounds is divided by the registration fee of \$1,322 to find the number of implied trucks in Florida. This figure is used to estimate the potential stock of cement mixer trucks within the state.

In Option 2, a Transportation Census from 1992 is cited. This survey found 3,400 cement mixer trucks registered in Florida. This figure was grown to 2012-13 by using REC’s Building Investment growth rates dating back to 1993. This number was used to estimate the stock of cement mixer trucks within Florida. See worksheets.

Exemption ends on April 30, 2017.

Section 4: Proposed Fiscal Impact

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2013-14						
2014-15	\$(4.7 M)		\$(1.2 M)		\$(0.47 M)	
2015-16	\$(5.2 M)		\$(1.3 M)		\$(0.52 M)	
2016-17	\$(5.6 M)		\$(1.4 M)		\$(0.56 M)	
2017-18						

List of affected Trust Funds: Sales Tax Group

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Section 5: Consensus Estimate (Adopted:02/28/2014) The conference adopted the high estimate but calculated at 20% replacement annually.

	GR		Trust		Revenue Sharing		Local Half Cent	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2014-15	(3.3)	0.0	(Insignificant)	0.0	(0.1)	0.0	(0.3)	0.0
2015-16	(3.6)	0.0	(Insignificant)	0.0	(0.1)	0.0	(0.3)	0.0
2016-17	(4.0)	0.0	(Insignificant)	0.0	(0.1)	0.0	(0.4)	0.0
2017-18	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2018-19	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

	Local Option		Total Local		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2014-15	(Insignificant)	0.0	(0.4)	0.0	(3.7)	0.0
2015-16	(Insignificant)	0.0	(0.5)	0.0	(4.1)	0.0
2016-17	(Insignificant)	0.0	(0.5)	0.0	(4.5)	0.0
2017-18	0.0	0.0	0.0	0.0	0.0	0.0
2018-19	0.0	0.0	0.0	0.0	0.0	0.0

	A	B	C	D	E	F	G	H	I	J	
1	Option 1									Cost of Replacement	
2	Based on Dept of Highway Safety & Motor Vehicles					30%	10%	20%	\$10,000	\$40,000	
3	Heavy Trucks 72,000+ lbs	Net Fees	% Growth Building Inv.	Fee	Implied # of Trucks	Assume 30% of Trucks are Concrete Mixers	10% Replaced Annually	25% Replaced Annually	Annual Sales Tax Impact @ 10% Replacement & \$10k Cost	Annual Sales Tax Impact @ 25% Replacement and \$40k Cost	
4	2012-13	\$28,597,154		\$1,322	21,632	6,490	649	1,298	(\$389,371)	(\$3,114,970)	
5	2013-14	\$32,400,575	13.3%	\$1,322	24,509	7,353	735	1,471	(\$441,158)	(\$3,529,261)	
6	2014-15	\$36,094,241	11.4%	\$1,322	27,303	8,191	819	1,638	(\$491,450)	(\$3,931,597)	
7	2015-16	\$40,028,513	10.9%	\$1,322	30,279	9,084	908	1,817	(\$545,018)	(\$4,360,141)	
8	2016-17	\$43,230,794	8.0%	\$1,322	32,701	9,810	981	1,962	(\$588,619)	(\$4,708,952)	
9	2017-18	\$45,651,719	5.6%	\$1,322	34,532	10,360	1,036	2,072	(\$621,582)	(\$4,972,653)	
10	2018-19	\$48,116,912	5.4%	\$1,322	36,397	10,919	1,092	2,184	(\$655,147)	(\$5,241,176)	
11											
12											
13	Option 2					Cost of Replacement					
14	Based on 1992 Florida Census of Transportation, US Census Bureau					\$10,000		\$40,000			
15		Estimated # of Trucks Extrapolated from 1992 Census of Transportation	% Growth Building Inv.	10% Replaced Annually	25% Replaced Annually	Annual Sales Tax Impact @ 10% Replacement & \$10k Cost	Annual Sales Tax Impact @ 25% Replacement & \$10k cost	Annual Sales Tax Impact @ 25% Replacement and \$40k Cost			
16	2012-13	6,174		617	1,235	(\$370,460)	(\$740,920)	(\$2,963,678)			
17	2013-14	6,996	13.3%	700	1,399	(\$419,731)	(\$839,462)	(\$3,357,847)			
18	2014-15	7,793	11.4%	779	1,559	(\$467,580)	(\$935,160)	(\$3,740,642)			
19	2015-16	8,642	10.9%	864	1,728	(\$518,546)	(\$1,037,093)	(\$4,148,372)			
20	2016-17	9,334	8.0%	933	1,867	(\$560,030)	(\$1,120,060)	(\$4,480,242)			
21	2017-18	9,857	5.6%	986	1,971	(\$591,392)	(\$1,182,784)	(\$4,731,135)			
22	2018-19	10,389	5.4%	1,039	2,078	(\$623,327)	(\$1,246,654)	(\$4,986,616)			
23	Cement Manufacturing Firms in Florida: 518		Estimated Trucks per Firm:								
24			Option 1			13					
25			Option 2			12					
26	Impact (in millions) using option 2										
27		High		Middle		Low					
28		Cash	Recurring	Cash	Recurring	Cash	Recurring				
29	2014-15	\$ (3.7 M)		\$ (0.9 M)		\$ (0.47 M)					
30	2015-16	\$ (4.1 M)		\$ (1.0 M)		\$ (0.52 M)					
31	2016-17	\$ (4.5 M)		\$ (1.1 M)		\$ (0.56 M)					
32	2017-18										
33	2018-19										
34											
35											

	A	B	C	D	E	F
1						
2	Extrapolated Growth of Cement Mixers Using Building Investment					
3	Year	# of Cement Mixers (Source: Census of Transportation)	Building Inv. % Change			
4	1993-94	3400				
5	1994-95	3590	5.6%			
6	1995-96	3777	5.2%			
7	1996-97	4008	6.1%			
8	1997-98	4300	7.3%			
9	1998-99	4838	12.5%			
10	1999-00	5346	10.5%			
11	2000-01	5549	3.8%			
12	2001-02	5493	-1.0%			
13	2002-03	6053	10.2%			
14	2003-04	6368	5.2%			
15	2004-05	7890	23.9%			
16	2005-06	9153	16.0%			
17	2006-07	8192	-10.5%			
18	2007-08	7012	-14.4%			
19	2008-09	5652	-19.4%			
20	2009-10	5126	-9.3%			
21	2010-11	5218	1.8%			
22	2011-12	5469	4.8%			
23	2012-13	6174	12.9%			
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