

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1285

Bill Subtitle: TO ENCOURAGE DISASTER PREPAREDNESS BY CREATING A SALES AND USE TAX EXEMPTION FOR DISASTER-PREPAREDNESS SUPPLIES FOR A LIMITED PERIOD OF TIME AND TO DECLARE AN EMERGENCY.

Basic Change :

Representative Lea

The bill enacts a sales tax holiday period for disaster preparedness supplies to be held the first weekend of August each year. Disaster preparedness supplies sold during that holiday would be exempt from sales tax. The sales tax exemption would apply to certain specific items classified as "Disaster-preparedness fastening supplies", "Disaster-preparedness food-related supplies", "Disaster-preparedness general supplies", and "Disaster-preparedness safety supplies". Only those specific items listed in each category would be eligible for the sales tax holiday exemption. The specific items eligible for the exemption are:

Disaster-preparedness fastening supplies

Bungee cords;
Rope;
Ratchet straps;
Duct tape;
Boat anchors;
Fender, anchor chains, dock lines or similar devices;
Tarpaulins and other flexible waterproof sheeting; and
Ground anchors or tie down kits.

Disaster-preparedness food-related supplies

Artificial ice;
Water storage containers;
Manual can openers; and
Bottled water.

Disaster-preparedness general supplies

Batteries and cell phone batteries, including size A, AA, AAA, C, D, 6-volt and 9-volt batteries and excluding automobile batteries and marine batteries;
Cell phone chargers;
Satellite phones;
Self powered light sources;
Portable self powered radios, two way radios, weather band radios, or National Oceanic and Atmospheric Administration radios;
Gas or diesel fuel containers;
Nonelectric food storage coolers;
Portable generators; and
Storm shutter devices.

Disaster-preparedness safety supplies

Carbon monoxide detectors;
Smoke detectors;
Fire extinguishers; and
First aid kits

The proposal contains an emergency clause and would be effective on July 1, 2013.

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Revenue Impact :

FY14 Tax Decrease

Total Impact to State Revenues - \$1.31 million

-\$ 875,100 --- State General Revenue (4.5%)
-\$ 170,200 --- Educational Adequacy (.875% tax)
-\$ 97,200 --- Property Tax Relief Trust Fund (.5%)
-\$ 24,300 --- Conservation Tax (.125%)
-\$ 97,200 --- Highway Fund (.5%)
-\$ 0 --- Educational Excellence Trust Fund
-\$ 0 --- Educational Adequacy (GR transfer)
-\$ 30,100 --- State Central Services
-\$ 13,100 --- Constitutional Officers
Total Impact to City and County Sales Tax -\$425,000

FY15 Tax Decrease

Total Impact to State Revenues - \$1.34 million

-\$ 759,100 --- State General Revenue (4.5%)
-\$ 173,800 --- Educational Adequacy (.875% tax)
-\$ 99,300 --- Property Tax Relief Trust Fund (.5%)
-\$ 24,800 --- Conservation Tax (.125%)
-\$ 99,300 --- Highway Fund (.5%)
-\$ 123,700 --- Educational Excellence Trust Fund
-\$ 10,900 --- Educational Adequacy (GR transfer)
-\$ 30,700 --- State Central Services
-\$ 13,400 --- Constitutional Officers
Total Impact to City and County Sales Tax -\$430,000

Taxpayer Impact :

Taxpayers selling any of the specific disaster-preparedness items would be required to re-program computer, cash register and accounting systems to allow for the temporary exemption. At the end of the holiday period, these systems would be reprogrammed back to their previous state.

Resources Required :

No additional resources required for implementation.

Time Required :

The Streamlined Sales Tax Agreement requires states conducting sales tax holidays to provide sellers notice and instructions for the holiday period at least 60 days prior to the 1st day of the calendar quarter in which the holiday period will be held. In order to comply with the Agreement, DFA would be required to notify sellers and provide necessary rules and instructions by April 30, 2013 for an August 2013 holiday period. With a July 1 effective date for the bill, adequate time is not provided to promulgate rules for the measure prior to the notification to taxpayers of the event.

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Procedural Changes :

Education of DFA personnel will be required. Promulgation of rules and instructions for sellers will be required with final rule development occurring after the first holiday period in August 2013..

Other Comments :

The provisions as contained in the proposed bill are in compliance with the Streamlined Sales Tax Agreement for Disaster Preparedness Sales Tax Holidays. DFA will have to promulgate rules that comply with the Agreement to provide necessary instruction for sellers regarding "layaway sales", issuance of "rain checks", "exchanges" and "ordered merchandise".

With a July 1 effective date for the bill, adequate time is not provided in order to promulgate final rules and comply with the notification period as provided in the Streamlined Sales and Use Tax Agreement. DFA would issue instructions and consider emergency rules in order to provide sellers during April 2013 the instructions for the holiday if held in August 2013.

Legal Analysis :

This Bill providing a sales tax holiday for disaster preparedness supplies is consistent with the Streamlined Sales and Use Tax Agreement. .