

Notice of Proposed Rule

DEPARTMENT OF REVENUE

Sales and Use Tax

RULE NOS.:RULE TITLES:

12A-1.012 Repossessed Merchandise and Bad Debts

12A-1.0144 Refund of Tax Paid on Purchases of Equipment, Machinery, and Other Materials for Renewable Energy Technologies

12A-1.097 Public Use Forms

PURPOSE AND EFFECT: The purpose of the proposed amendments to Rule 12A-1.012, F.A.C., is to: (1) remove the recitation of statutory provisions regarding the taxability of sales made on any kind of deferred payment plan; (2) clarify that the repossession and redemption of tangible personal property is not subject to tax; (3) consolidate provisions for obtaining a credit or refund of tax paid on repossessed items, including motor vehicles; (4) clarify when a tax credit or refund may be obtained by a dealer who sold property that is subsequently repossessed when the dealer holds a security interest in the property by contract; (5) provide how to obtain a refund or credit of tax paid on repossessed tangible personal property and the information and documentation required to establish the right to a refund or credit; and (6) remove unnecessary provisions for dealers that obtain payment from a common carrier for damages of items sold by the dealer.

The purpose of the proposed repeal of Rule 12A-1.0144, F.A.C., is to bring the rule into compliance with the expiration of Section 212.08(7)(hhh), F.S., effective July 1, 2016, which provided for a refund of sales tax paid for purchases of certain types of equipment, machinery, and other materials for renewable energy technologies.

The purpose of the proposed amendments to Rule 12A-1.097, F.A.C., is to (1) consolidate two forms, Forms DR-95A and DR-95B, currently used to determine the amount of sales tax refund due on repossessed tangible personal property and repossessed motor vehicles, into a single form; (3) incorporate statutory elimination of the \$5.00 registration fee required of persons that submit a Florida Business Tax Application (Form DR-1), as provided in Section 29 of Chapter 2017-36, L.O.F. and (4) incorporate statutory elimination of the \$30.00 registration fee required of owners or operators of drycleaning and dry drop-off facilities that submit a Florida Business Tax Application (Form DR-1), as provided in Section 42 of Chapter 2017-36, L.O.F.

SUMMARY: The proposed amendments incorporate revisions to sales tax and use tax rules and forms.

SUMMARY OF STATEMENT OF ESTIMATED REGULATORY COSTS AND LEGISLATIVE RATIFICATION:

The Agency has determined that this will not have an adverse impact on small business or likely increase directly or indirectly regulatory costs in excess of \$200,000 in the aggregate within one year after the implementation of the rule. A SERC has not been prepared by the Agency.

The Agency has determined that the proposed rule is not expected to require legislative ratification based on the statement of estimated regulatory costs or if no SERC is required, the information expressly relied upon and described herein: 1) no requirement for the Statement of Economic Regulatory Costs (SERC) was triggered under Section 120.541(1), F.S.; and 2) based on past experiences regarding rules of this nature, the adverse impact or regulatory cost, if any, do not exceed nor would exceed any one of the economic analysis criteria in a SERC, as set forth in Section 120.541(2)(a), F.S.

Any person who wishes to provide information regarding a statement of estimated regulatory costs, or provide a proposal for a lower cost regulatory alternative must do so in writing within 21 days of this notice.

RULEMAKING AUTHORITY: 201.11, 202.17(3)(a), 202.22(6), 202.26(3), 212.05(1), 212.0515(7), 212.07(1)(b), 212.08(5)(b)4., (n)4., (o)4., (7), 212.11(5)(b), 212.12(1)(a)2., 212.17(6), 212.18(2), (3), 212.183, 213.06(1), 288.1258(4)(c), 376.70(6)(b), 376.75(9)(b), 403.718(3)(b), 403.7185(3)(b), 443.171(2), (7) FS.

LAW IMPLEMENTED: 92.525(1)(b), (3), 95.091, 119.071(5), 125.0104, 125.0108, 201.01, 201.08(1)(a), 201.133, 202.11(2), (3), (6), (16), (24), 202.17, 202.22(3)-(6), 202.28(1), 203.01, 212.02, 212.03, 212.0305, 212.031, 212.04, 212.05, 212.0501, 212.0515, 212.054, 212.055, 212.06, 212.0601, 212.0606, 212.07(1), (8), (9), 212.08, 212.084(3), 212.085, 212.09, 212.096, 212.11(1), (4), (5), 212.12(1), (2), (5), (6), (9), (12), (13), 212.13, 212.14(2), (4), (5), 212.17, 212.18(2), (3), 212.183, 213.235, 213.255, 213.29, 212.35, 213.37, 213.755, 215.26, 219.07, 288.1258,

290.00677, 376.70, 376.75, 403.717, 403.718, 403.7185, 443.036, 443.121(1), (3), 443.131, 443.1315, 443.1316, 443.171(2), (7), FS.

IF REQUESTED WITHIN 21 DAYS OF THE DATE OF THIS NOTICE, A HEARING WILL BE HELD AT THE DATE, TIME AND PLACE SHOWN BELOW (IF NOT REQUESTED, THIS HEARING WILL NOT BE HELD):

DATE AND TIME: February 7, 2018, 10:00 a.m.

PLACE: 2450 Shumard Oak Boulevard, Building One, Room 1220, Tallahassee, Florida

Pursuant to the provisions of the Americans with Disabilities Act, any person requiring special accommodations to participate in this workshop/meeting is asked to advise the agency at least 48 hours before the workshop/meeting by contacting: Becky Avrett at (850)617-6799. If you are hearing or speech impaired, please contact the agency using the Florida Relay Service, 1(800)955-8771 (TDD) or 1(800)955-8770 (Voice).

THE PERSON TO BE CONTACTED REGARDING THE PROPOSED RULE IS: Tammy Miller, Technical Assistance and Dispute Resolution, Department of Revenue, P.O. Box 7443, Tallahassee, Florida 32314-7443, telephone (850)717-6309.

THE FULL TEXT OF THE PROPOSED RULE IS:

12A-1.012 Repossessed Merchandise and Bad Debts.

~~(1) The full amount of tax on credit sales, installment sales, or sales made on any kind of deferred payment plan, shall be due at the moment of the transaction in the same manner as a cash sale.~~

~~(1)(2)~~ Repossessions:

~~(a) The repossession of tangible personal property by the seller or the lienholder is not subject to tax.~~

~~(b) The redemption of repossessed tangible personal property by the debtor prior to the sale of the repossessed property is not subject to tax.~~

~~(c) The subsequent sale of repossessed tangible personal property is subject to tax.~~

~~(d)(a) A dealer who collected and remitted has paid sales tax to the Department in full on the selling price of tangible personal property sold under a retail installment, title loan, retain title, conditional sale, or similar contract in which the dealer retains a security interest in the property may, upon repossession of the property (with or without judicial process), take credit on a subsequent tax return for, or obtain a refund of, that portion of the tax that is applicable to the unpaid balance of the contract. The credit or refund is shall be based on the ratio that the total tax bears to the unpaid balance of the sales price, excluding finance or other nontaxable non-taxable charges, as reflected in the sales contract. A Refund or credit or refund must be claimed within 12 months following the month in which the property was repossessed.~~

~~(e)(b) Tangible personal property (excluding motor vehicles): When a dealer claims a tax credit or a refund of tax paid on tangible personal property sold and repossessed, the dealer by him, he must complete a in detail Form DR-95A, Schedule of Florida Sales or Use Tax Credits Claimed on Repossessed Tangible Personal Property Repossessed (Form DR-95B, incorporated by reference in Rule 12A-1.097, F.A.C.), and certify thereon that he was the seller of the tangible personal property described therein; that Florida sales and use tax was remitted to the Florida Department of Revenue; and that such property was repossessed by him. In those instances where the tangible personal property was financed by a third party, the dealer must show that he repurchased the contract before applying for a tax credit under this paragraph.~~

~~(e) Motor Vehicles:~~

~~(f)1. The When a dealer may claim claims a tax credit or refund on tangible personal property, including any aircraft, boat, mobile home, a motor vehicle, or any other titled property sold by the dealer for which the dealer holds a security interest in the property under the terms of a retail installment, title loan, retain title, conditional sale, or similar contract when:~~

~~1. The dealer sold the property and remitted him, he shall complete in detail Form DR-95B, Schedule of Florida Sales or Use Tax Credits Claimed on Repossessed Motor Vehicles (incorporated by reference in Rule 12A-1.097, F.A.C.), and certify thereon that he was the seller of the specifically described vehicle; that the Florida sales and use tax was remitted to the Florida Department of Revenue;~~

~~2. The dealer financed the property, or the property was financed by a financing institution with recourse;~~

3. The property was that he subsequently repossessed upon default of the terms of the contract by the purchaser of the property vehicle; and

4. The dealer acquired and that he reacquired ownership of the repossessed property (e.g., certificate of title or other evidence establishing possession and ownership of the repossessed property) thereof and acquired certificate of title thereto after default by the purchaser. Documents, such as copies of reacquired titles, shall be maintained by the dealer to support his claim for the tax credit.

(g)2. When claiming a tax credit or refund In those instances where the motor vehicle was financed by a third party, the dealer must shall complete a in detail Form DR-95B, Schedule of Florida Sales or Use Tax Credits Claimed on Repossessed Tangible Personal Property Motor Vehicles, (Form DR-95B, incorporated by reference in Rule 12A-1.097, F.A.C.). When claiming a tax credit, the completed Form DR-95B must be retained with the dealer's applicable sales and use tax return. When claiming a tax refund, a Sales and Use Tax Application for Refund (Form DR-26S, incorporated by reference in Rule 12-26.008, F.A.C.), the completed Form DR-95B, and the information and documentation required to be included with Form DR-26S must be filed with the Department, and certify thereon that he was the seller of the specifically described vehicle; that the Florida sales and use tax was remitted to the Florida Department of Revenue; that he repurchased the contract; and that he received a repossession title on each vehicle from the lender. (Repossession title, as used herein, means a title acquired by the lien holder-lender from the Division of Motor Vehicles, Department of Highway Safety and Motor Vehicles, and assigned by the lender to the dealer.) Documents, such as copies of repossession titles and checks to repurchase contracts, shall be maintained by the dealer to support the claim for tax credit.

(d) The information required on Forms DR-95A, Schedule of Florida Sales or Use Tax Credits Claimed on Tangible Personal Property Repossessed, and Form DR-95B, Schedule of Florida Sales or Use Tax Credits Claimed on Repossessed Motor Vehicles, shall include the following:

1. Customer's name;
2. Description of tangible personal property or motor vehicle identification;
3. Date tax remitted to Department by seller;
4. Amount of tax paid;
5. Sales price, less trade in, less cash discount;
6. Sales price, less trade in, less cash down;
7. Term of contract;
8. Amount of each monthly payment, excluding finance charges (item 6 divided by item 7);
9. Amount of sales tax included in each monthly payment (multiply amount in item 8 by the tax rate);
10. Number of unpaid installments at time of repossession by seller;
11. Tax credit due (multiply item 9 by item 10, less the collection allowance taken at the time the tax was originally paid to the state);
12. Date of repossession.

(h)(e) Dealers must retain documentation required to establish the right to a credit or refund, including the retail installment, title loan, retain title, conditional sale, or similar contract, and documents establishing ownership or title to the property after repossession. The records required in this subsection must be maintained by the dealer until tax imposed by Chapter 212, F.S., may no longer be determined and assessed under Section 95.091(3), F.S., and must shall be made available to the Department upon request.

(3) No change.

(4) The sale of repossessed merchandise is taxable.

(5) If a dealer is reimbursed by a common carrier for damage to merchandise on which he has previously paid tax, the dealer is entitled to a refund of such tax on the amount reimbursed. For example: The dealer paid his supplier \$500 for merchandise and remitted \$30 tax thereon to the state. Later, he was reimbursed \$100 by the carrier to cover damages to the goods. The dealer is entitled to a refund of \$6 overpayment of tax. If the carrier also reimburses the dealer for tax he has paid, then the dealer is not entitled to a tax refund.

Rulemaking Authority 212.17(6), 212.18(2), 213.06(1) FS. Law Implemented 212.06(1), 212.13(2), 212.17(1), (2), (3), 212.18(2), 213.35, 215.26 FS. History—Revised 10-7-68, Amended 1-17-71, Revised 6-16-72, Amended 2-21-77, 9-28-78, 7-20-82, Formerly 12A-1.12, Amended 12-13-88, 2-16-93,_____.

12A-1.0144 Refund of Tax Paid on Purchases of Equipment, Machinery, and Other Materials for Renewable Energy Technologies.

Rulemaking Authority 212.17(6), 212.18(2), 213.06(1) FS. Law Implemented 212.08(7)(hhh), 213.255 FS. History--New 1-17-13, Repealed.

12A-1.097 Public Use Forms.

(1) The following public use forms and instructions are employed by the Department in its dealings with the public related to the administration of Chapter 212, F.S. These forms are hereby incorporated by reference in this rule.

(a) through (b) No change.

Form Number	Title	Effective Date
(2)(a) DR-1	Florida Business Tax Application (R. <u>01/18 4/15</u>) (http://www.flrules.org/Gateway/reference.asp?No=Ref-____04849)	<u>01/18 01/15</u>
(b) DR-1N	Instructions for Completing the Florida Business Tax Application (Form DR-1) (R. <u>01/18 4/15</u>) (http://www.flrules.org/Gateway/reference.asp?No=Ref-____04854)	<u>01/18 01/15</u>

(c) No change

(3) through (12) No change.

(13)(a) DR-95A	Schedule of Florida Sales or Use Tax Credits Claimed on Tangible Personal Property Repossessed (R. 04/95)	06/01
(b) DR-95B	Schedule of Florida Sales or Use Tax Credits Claimed on Repossessed Tangible Personal Property Motor Vehicles (R. <u>01/18 12/09</u>) (http://www.flrules.org/Gateway/reference.asp?No=Ref-____)	<u>01/18 06/01</u>

(14) through (19) No change.

Rulemaking Authority 201.11, 202.17(3)(a), 202.22(6), 202.26(3), 212.0515(7), 212.07(1)(b), 212.08(5)(b)4., (n)4., (o)4., (7), 212.11(5)(b), 212.12(1)(a)2., 212.17(6), 212.18(2), (3), 212.183, 213.06(1), 288.1258(4)(c), 376.70(6)(b), 376.75(9)(b), 403.718(3)(b), 403.7185(3)(b), 443.171(2), (7) FS. Law Implemented 92.525(1)(b), (3), 95.091, 119.071(5), 125.0104, 125.0108, 201.01, 201.08(1)(a), 201.133, 202.11(2), (3), (6), (16), (24), 202.17, 202.22(3)-(6), 202.28(1), 203.01, 212.02, 212.03, 212.0305, 212.031, 212.04, 212.05, 212.0501, 212.0515, 212.054, 212.055, 212.06, 212.0606, 212.07(1), (8), (9), 212.08, 212.084(3), 212.085, 212.09, 212.096, 212.11(1), (4), (5), 212.12(1), (2), (9), (13), 212.13, 212.14(2), (4), (5), 212.17, 212.18(2), (3), 212.183, 213.235, 213.29, 213.37, 213.755, 215.26(2), 219.07, 288.1258, 290.00677, 376.70, 376.75, 403.717, 403.718, 403.7185, 443.036, 443.121(1), (3), 443.131, 443.1315, 443.1316, 443.171(2), (7) FS. History-New 4-12-84, Formerly 12A-1.97, Amended 8-10-92, 11-30-97, 7-1-99, 4-2-00, 6-28-00, 6-19-01, 10-2-01, 10-21-01, 8-1-02, 4-17-03, 5-4-03, 6-12-03, 10-1-03, 9-28-04, 6-28-05, 5-1-06, 4-5-07, 1-1-08, 4-1-08, 6-4-08, 1-27-09, 9-1-09, 11-3-09, 1-11-10, 4-26-10, 6-28-10, 7-12-10, 1-12-11, 1-25-12, 1-17-13, 5-9-13, 1-20-14, 1-19-15, 1-11-16, 4-5-16, _____.

NAME OF PERSON ORIGINATING PROPOSED RULE: Tammy Miller

NAME OF AGENCY HEAD WHO APPROVED THE PROPOSED RULE: Governor and Cabinet

DATE PROPOSED RULE APPROVED BY AGENCY HEAD: December 13, 2017

DATE NOTICE OF PROPOSED RULE DEVELOPMENT PUBLISHED IN FAR: November 2, 2017