

# SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

BILL: SB 1430

SPONSOR: Senator Alexander

SUBJECT: Gross Receipts Tax/Manufactured Gas

DATE: March 17, 2003

REVISED: 3/20/03 \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Fournier</u>	<u>Johansen</u>	<u>FT</u>	<u>Fav/1 amendment</u>
2.	_____	_____	<u>CU</u>	_____
3.	_____	_____	<u>CM</u>	_____
4.	_____	_____	<u>RI</u>	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

## I. Summary:

This bill provides an exemption for the sale of manufactured gas to a public or private utility for resale or for use as a fuel in the generation of electricity. There is currently no manufactured gas being sold in the state to generate electricity, but one facility has proposed generating electricity with purchased manufactured gas.

This bill substantially amends s. 203.01, F.S.

## II. Present Situation:

Paragraph (a) of subsection (3) of s. 203.01, F.S., provides that gross receipts from the sale of natural gas to a public or private utility, including a municipal corporation or rural electric cooperative association, either for resale or for use as fuel in the generation of electricity, is not included in the gross receipts subject to tax under this section. At the present time there is one Florida-based electricity utility company that owns and operates a facility that manufactures gas, which it uses to produce electricity. The company's use of its own manufactured gas is not subject to gross receipts tax.

## III. Effect of Proposed Changes:

This bill provides an exemption for the sale of manufactured gas to a public or private utility for resale or for use as a fuel in the generation of electricity. There is currently no manufactured gas being sold in the state to generate electricity, but the electric utility that uses its own manufactured gas to produce electricity has said it may sell the gas manufacturing facility to a third party and purchase the gas, in response to federal tax incentives.

**IV. Constitutional Issues:**

## A. Municipality/County Mandates Restrictions:

None.

## B. Public Records/Open Meetings Issues:

None.

## C. Trust Funds Restrictions:

None.

## D. Other Constitutional Issues:

**V. Economic Impact and Fiscal Note:**

## A. Tax/Fee Issues:

The current gross receipts tax estimate does not include any revenue from the sale of manufactured gas to an electric utility. Under current law, however, the sale of manufactured gas to a utility is subject to gross receipts tax, and if the proposed sale of the gas manufacturing facility occurs and the law is not changed, gross receipts tax revenue will increase by \$0.6 million annually. This bill will prevent that increase in gross receipts tax revenues.

The impact of Amendment #1 is a loss of about \$0.5 million in public utility tax in the charter county where the manufactured gas facility is located which would inure to that county under current law if the proposed sale occurred, absent this amendment.

## B. Private Sector Impact:

The sale of manufactured gas to an electric utility will be exempt from gross receipts tax under this bill.

## C. Government Sector Impact:

Six hundred thousand dollars in gross receipts tax could be bonded to generate approximately \$10 million in PECO bonds.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Amendments:**

#1 by Finance and Taxation Committee:

Provides that the sale of manufactured gas to an electric utility is not subject to the public service tax. (WITH TITLE AMENDMENT)

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This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.

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