

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: CS/HB 939 Exemptions from the Tax on Sales, Use, & Other Transactions

SPONSOR(S): Workman

TIED BILLS: **IDEN./SIM. BILLS:** SB 1108

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Business & Consumer Affairs Subcommittee	13 Y, 0 N, As CS	Tecler	Creamer
2) Finance & Tax Committee			
3) Economic Affairs Committee			

SUMMARY ANALYSIS

Gas turbine engines are used in a variety of applications, including power generation, marine activities, and aviation. The bill exempts chemicals, machinery, parts, and equipment used in manufacturing or fabricating aircraft engines and gas turbine engines from the sales and use tax imposed by ch. 212, F.S.

The Revenue Estimating Conference adopted a negative recurring impact of \$1.3 million to state funds through FY 2013-14. The conference estimate for FY 2014-15 and FY 2015-16 is a negative recurring impact of \$1.4 million.

The bill has an effective date of July 1, 2012.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Present Situation

A turbine is any kind of spinning device that uses the action of a fluid to produce work. Fluids used in turbines include air, wind, water, steam and helium. Windmills and hydroelectric dams are two examples of turbine action used to turn the core of an electrical generator to produce power.

Gas turbines were first developed in the 1930's and were used to generate electricity and power airplane flight. In general, gas turbines use a compressor to draw in and compress gas (usually air), then a combustor (or burner) adds fuel (such as propane, natural gas, kerosene or jet fuel) to heat the compressed gas, and a turbine extracts power from the hot air flow.¹ The gas turbine is an internal combustion engine employing a continuous combustion process. Gas turbines have many applications, and are used in power plants, tanks, jets, helicopters and trains. Currently, Florida does not provide a sales and use tax exemption related to gas turbine engines or aircraft engines.

Effect of Proposed Changes

The bill exempts chemicals, machinery, parts, and equipment used in manufacturing or fabricating aircraft engines and gas turbine engines from the sales and use tax imposed by ch. 212, F.S.

The bill has an effective date of July 1, 2012.

B. SECTION DIRECTORY:

Section 1: Amends s. 212.08(7), F.S., to provide an exemption for the chemicals, machinery, parts, and equipment used in manufacturing or fabricating gas turbine and aircraft engines.

Section 2: Provides an effective date of July 1, 2012.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

The Revenue Estimating Conference adopted a negative recurring impact of \$1.3 million to state funds through FY 2013-14. The conference estimate for FY 2014-15 and FY 2015-16 is a negative recurring impact of \$1.4 million.

2. Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

As adopted by the Revenue Estimating Conference, the bill will have an initial non-recurring cash impact of \$300,000 on local governments in FY 2012-13. The bill will also have a negative recurring impact of \$300,000 on local governments.

¹ "Introduction to Gas Turbines for Non-Engineers," Global Gas Turbine News, Volume 37: 1997, No.2, Lee S. Langston and George Opdyke, Jr., <http://files.asme.org/IGTI/101/13001.pdf>. (last visited on 01/26/2012).

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Within the state, the bill may generate an increase in the manufacturing and fabrication of gas turbine and aircraft engines.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

The mandates provision of Art. VII, section 18, of the Florida Constitution may apply because this bill reduces the authority that municipalities or counties have to raise revenue. The Revenue Estimating Conference determined that the bill would have a negative fiscal impact of \$300,000 annually to local governments. However, an exemption applies to the mandates provision when the fiscal impact is insignificant. The fiscal impact to local governments in this bill does not meet or exceed the \$1.9 million threshold. Therefore, the bill's impact to local government revenues is insignificant.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES

On January 31, 2012, the Business and Consumer Affairs Subcommittee adopted one amendment, which was technical in nature and clarified the applicability of the tax exemption.

The bill was reported favorably as a committee substitute and the analysis has been updated to reflect the adopted amendment.