HOUSE OF REPRESENTATIVES
FINAL BILL ANALYSIS

BILL #:	HB 5601	**FINAL HOUSE FLOOR ACTION:**	
SPONSOR(S):	Finance and Tax Subcommittee; Workman and others	#of Yeas **114**	# of Nays **0**
COMPANION BILLS:	HB 257; CS/HB 567; HB 653; HB 769; HB 815; HB 847; HB 899; HB 1015	**GOVERNOR'S ACTION:**	Approved

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SUMMARY ANALYSIS

The bill is an omnibus economic development and tax cut package containing the following provisions:

- Three temporary "tax holiday" periods where sales of certain goods will be exempt from the sales tax – a "back to school" holiday for certain clothing, school supplies, and computers; a hurricane supplies holiday; and an energy and water efficient products holiday.
- A temporary sales tax exemption for cement mixing drums.
- Permanent sales tax exemptions for child restraint systems, bicycle helmets marketed for use by youth, therapeutic pet food available from veterinarians, and meal plans sold by institutions of higher education.
- An increase in the amount of credits available under the New Markets Tax Credit program from $178.8 million to $216.34 million.
- A delay in the repeal of the Community Contributions Tax Credit program by one year and an increase in the annual cap for that program from $14 million to $21.9 million.
- Clarification of the statutory definition of "prepaid calling arrangement" to provide that certain prepaid mobile communications services are subject to state and local sales taxes instead of state and local communications services taxes.
- A decrease in the sales tax rate on charges for electricity from 7% to 4.35% and an additional gross receipts tax of 2.6% on those same charges.
- Authority for sales tax dealers to receive credit for 64.4% of the tax paid on bad debts incurred through private label credit cards.
- An increase in the percentage of collections from the cigarette tax that are paid to the H. Lee Moffitt Cancer Center from 2.75% to 4.04%.
- Authority for local governments to lower local business tax rates by majority vote without going through a reclassification process.
- Clarification of the procedures governing the publication of certain statistics regarding tourist development taxes.
- Exclusion from the insurance premium tax of the portion of the premium retained by agents selling title insurance and bail bonds.

The total state and local government impact of the bill is -$63.8 million on a recurring basis. Adding the purely non-recurring impacts of -$71.9 million to this amount yields a total impact of -$135.7 million.

The bill was approved by the Governor on May 14, 2014, ch. 2014-38, L.O.F., and will become effective on July 1, 2014, except where otherwise noted.

I. SUBSTANTIVE INFORMATION

A. EFFECT OF CHANGES:

Sales Tax Holidays

The state of Florida levies a 6 percent sales and use tax on the sale or rental of most tangible personal property, admissions, rentals of transient accommodations, rental of commercial real estate, and a limited number of services. Chapter 212, F.S., contains statutory provisions authorizing the levy and collection of Florida's sales and use tax, as well as the exemptions and credits applicable to certain items or uses under specified circumstances. There are currently more than 200 different exemptions.[1] Sales tax is added to the price of the taxable goods or service and collected from the purchaser at the time of sale.

In addition to the state tax, s. 212.055, F.S., authorizes counties to impose eight local discretionary sales surtaxes on all transactions occurring in the county subject to the state tax imposed on sales, use, services, rental, admissions, and other transactions by ch. 212, F.S., and on communications services as defined in ch. 202, F.S.[2] The discretionary sales surtax is based on the rate in the county where the taxable goods or services are sold, or delivered into, and is levied in addition to the state sales and use tax of 6 percent.

Back to School Sales Tax Holidays
Since 1998, the Legislature has enacted twelve temporary periods (commonly called "sales tax holidays") during which certain clothing, footwear, books and school supply items were exempted from the state sales tax and county discretionary sales surtaxes.

The length of the exemption periods has varied from 3 to 10 days. The type and value of exempt items has also varied. Clothing and footwear have always been exempted at various thresholds, most recently $75. Books valued at $50 or less were exempted in five periods. School supplies have been included starting in 2001, with the value threshold increasing from $10 to $15. In 2013, personal computers and related accessories purchased for noncommercial home or personal use with a sales price of $750 or less were exempted. The following table describes the history of back to school sales tax holidays in Florida:

Dates	Length	TAX EXEMPTION THRESHOLDS				
		Clothing/ Footwear	Wallets/ Bags	Books	Computers	School Supplies
August 15-21, 1998	7 days	$50 or less	N/A	N/A	N/A	N/A
July 31-August 8, 1999	9 days	$100 or less	$100 or less	N/A	N/A	N/A
July 29-August 6, 2000	9 days	$100 or less	$100 or less	N/A	N/A	N/A
July 28-August 5, 2001	9 days	$50 or less	$50 or less	N/A	N/A	$10 or less
July 24-August 1, 2004	9 days	$50 or less	$50 or less	$50 or less	N/A	$10 or less
July 23-31, 2005	9 days	$50 or less	$50 or less	$50 or less	N/A	$10 or less
July 22-30, 2006	9 days	$50 or less	$50 or less	$50 or less	N/A	$10 or less
August 4-13, 2007	10 days	$50 or less	$50 or less	$50 or less	N/A	$10 or less
August 13-15, 2010	3 days	$50 or less	$50 or less	$50 or less	N/A	$10 or less
August 12-14, 2011	3 days	$75 or less	$75 or less	N/A	N/A	$15 or less
August 3-5, 2012	3 days	$75 or less	$75 or less	N/A	N/A	$15 or less

[1] For a list of exemptions and history, see REC, 2013 Florida Tax Handbook. Exemptions are estimated to total about $10 billion.
[2] The tax rates, duration of the surtax, method of imposition, and proceed uses are individually specified in s. 212.055, F.S. General limitations, administration, and collection procedures are set forth in s. 212.054, F.S.

August 2-4, 2013	3 days	$75 or less	$75 or less	N/A	$750 or less	$15 or less

Hurricane Preparedness Holidays
Florida has also enacted sales tax holidays for certain hurricane preparedness items in the past. In 2005, 2006, and 2007 the state established 12 day periods where items below certain thresholds were exempt from tax. Items included in all three holidays were:

- Portable self-powered light sources selling for $20 or less,
- Portable self-powered radios, two-way radios, or weather band radios selling for $50 or less,
- Tarpaulins or other flexible waterproof sheeting selling for $50 or less,
- Self-contained first-aid kits selling for $30 or less,
- Ground anchor systems or tie-down kits selling for $50 or less,
- Gas or diesel fuel tanks selling for $25 or less,
- Packages of AA-cell, C-cell, D-cell, 6-volt, or 9-volt batteries, excluding automobile and boat batteries, selling for $30 or less, and
- Nonelectric food storage coolers selling for $30 or less.

In 2005, portable generators selling for $750 or less were exempted. In 2006 and 2007, the threshold for generators was increased to $1,000, and several additional items were added:

- Reusable ice or items sold as artificial ice selling for $10 or less,
- Cell phone chargers selling for $40 or less,
- Cell phone batteries selling for $60 or less, and
- Storm shutter devices selling for $1,000 or less.

In 2005 and 2007 the hurricane preparedness holidays ran from June 1 through June 12, in 2006 the Holiday was from May 21 through June 1.

Energy Efficient Appliance Holidays
From October 5 through October 11, 2006, Florida exempted energy-efficient products priced under $1,500 and that met or exceeded the requirements of the federal ENERGY STAR program[3]. The following items were exempted:

- Refrigerators,
- Dishwashers,
- Clothes washers,
- Air conditioners,
- Ceiling fans,
- Light bulbs,
- Dehumidifiers, and
- Thermostats.

Effect of the Bill

The bill establishes three sales tax holidays during the 2014-2015 fiscal year:

Back to School
The bill provides for a 3 day sales tax holiday beginning August 1, 2014, and ending August 3, 2013. During the holiday, the following items that cost $100 or less are exempt from the state sales tax and county discretionary sales surtaxes:

- Clothing (defined as an “article of wearing apparel intended to be worn on or about the human body,” but excluding watches, watchbands, jewelry, umbrellas, and handkerchiefs);
- Footwear (excluding skis, swim fins, roller blades, and skates);

[3] ENERGY STAR products must meet energy efficiency standards established by the U.S. Environmental Protection Agency.

- Wallets; and
- Bags (including handbags, backpacks, fanny packs, and diaper bags, but excluding briefcases, suitcases, and other garment bags).

The bill also exempts “school supplies” that cost $15 or less per item. Also exempt will be the first $750 of the sales price for personal computers and related accessories purchased for noncommercial home or personal use. This would include tablets, laptops, monitors, input devices, and non-recreational software. Cell phones, furniture and devices or software intended primarily for recreational use are not exempted.

Hurricane Preparedness
The bill proposes a sales tax exemption for the following items related to hurricane preparedness for the period beginning on May 31, 2014, and ending on June 8, 2014:
- Portable self-powered light sources selling for $20 or less,
- Portable self-powered radios, two-way radios, or weather band radios selling for $50 or less,
- Tarpaulins or other flexible waterproof sheeting selling for $50 or less,
- Self-contained first-aid kits selling for $30 or less,
- Ground anchor systems or tie-down kits selling for $50 or less,
- Gas or diesel fuel tanks selling for $25 or less,
- Packages of AA-cell, C-cell, D-cell, 6-volt, or 9-volt batteries, excluding automobile and boat batteries, selling for $30 or less,
- Nonelectric food storage coolers selling for $30 or less,
- Portable generators selling for $750 or less, and
- Reusable ice selling for $10 or less.

Energy Efficient Appliances
The bill provides that no sales tax will be collected on the first $1,500 of the sales price for a new ENERGY STAR product or WaterSense product[4] during the period beginning on September 19, 2014, and ending on September 21, 2014.

ENERGY STAR products eligible for this holiday are:
- Room air conditioners,
- Air purifiers,
- Ceiling fans,
- Clothes washers,
- Clothes dryers,
- Dehumidifiers,
- Dishwashers,
- Freezers,
- Refrigerators,
- Water heaters,
- Swimming pool pumps, and
- Light bulbs.

WaterSense products eligible for this holiday are:
- Bathroom sink faucets,
- Faucet accessories,
- High-efficiency toilets and urinals,
- Showerheads, and
- Weather or sensor-based irrigation controllers.

[4] WaterSense labeled products and meet the US Environmental Protection Agency specifications for water efficiency and performance.

A person is limited to a single purchase for each specific type of item listed above with a sales price over $500 during the holiday. A second purchase of the same type of product will be subject to tax on the entire price.

Sales Tax Exemptions

As noted above, ch. 212, F.S., establishes a 6 percent state sales and use tax which applies to sales and rentals of most tangible personal property, while s. 212.08, F.S., provides a variety of exemptions from that tax. In 2013, the legislature passed an exemption for machinery and equipment used at a fixed location within Florida to manufacture, process, compound, or produce tangible goods for sale. This sales tax exemption is available for 3 years, from April 30, 2014 until April 30, 2017[5].

Effect of the Bill

Child Car Seats
The bill will add a permanent exemption for sales of child restraint systems and booster seats for use in motor vehicles.

Youth Bicycle Helmets
The bill will add a permanent exemption for sales of bicycle helmets marketed for use by youth.

College Meal Plans
The bill will add a permanent exemption for sales of certain prepaid meal plans to students by institutions of higher learning.

Therapeutic Pet Food
The bill will add a permanent exemption for sales of therapeutic pet food by veterinarians.

Cement Mixers
The bill will add cement mixer drums that are affixed to mixer trucks, as well as the parts and labor necessary to affix those drums to trucks, to the sales tax exemption for manufacturing machinery and equipment that will sunset on April 20, 2017.

Private Label Credit Cards

Chapter 212, F.S., contains the state's statutory provisions authorizing the levy and collection of Florida's sales and use tax, as well as the requirements for dealers to collect and remit sales tax. Florida imposes a 6 percent tax on tangible personal property sold, used, consumed, distributed, stored for use or consumption, rented, or leased in Florida. The full amount of sales tax is due at the time a transaction occurs, even if the transaction is a credit sale, installment sale, or a sale made on any kind of deferred payment plan.

A dealer who has remitted sales tax may take a credit or obtain a refund for any tax paid on the unpaid balance due on worthless accounts. The dealer must take the credit or obtain a refund within 12 months following the month in which the bad debt has been charged off by the dealer for federal income tax purposes. If any amount of the worthless account is subsequently paid, the dealer is required to remit the appropriate tax to the Department of Revenue. The dealer that paid the tax and charged off the account is the only person allowed to take the credit or claim the refund. In the case of private-label credit cards, the lender that issued the credit card may not take the credit or claim the refund for any amounts subsequently charged off by the lender, since the lender is not the "dealer."

Effect of the Bill

[5] Chapter 2013-39, L.O.F.

The bill amends s. 212.17, F.S., to create another method for a dealer to take a credit or obtain a refund for taxes remitted for a charged-off debt related to a consumer account with a private label credit card. "Private label credit cards," are defined as cards which carry the logo or are otherwise branded by the dealer but are financed by a third party bank. The bill allows a dealer to take a credit or obtain a refund on taxes remitted on the unpaid balance of a worthless or "uncollectible" private label credit card account. The bill sets forth the criteria for calculating the amount of the credit or refund and limits the amount of the credit or refund to 64.4 percent of the amount of taxes paid on a worthless account.

Bail Bond Premiums

Under s. 624.4094(1), F.S., the direct written premium retained by a bail bond insurer may not be less than 6.5 percent of the total payment for the bail bond; licensed bail bond agents or licensed managing general agents retain up to 93.5 percent of the premium. Section 624.4094(5), F.S., provides that the reporting and payment of insurance premium taxes and related excise taxes under ss. 624.509, 624.5091, and 624.5092, F.S., is calculated using gross bail bond premiums and that insurance premium tax and related excise taxes are calculated using gross bail bond premiums.

Section 624.509, F.S., requires insurers to pay a premium tax on premiums received during the preceding calendar year. The tax is 1.75 percent of the gross amount of premium.

Effect of the Bill

The bill changes the calculation of the premium tax imposed on bail bond premiums so that the tax rate is applied only to the amount of the premium received by the insurance company, excluding amounts retained by the bail bond agent.

Title Insurance Premiums

Florida imposes an annual tax on premiums collected by insurance companies doing business in the state.[6] This tax applies to life, health, property and casualty, title insurance, and most other types of policies at a rate of 1.75%, with deductions allowed for reinsurance accepted, return premiums and assessments.[7] It applies to self-insurance funds at a rate of 1.6%.[8] It applies to annuities at a rate of 1%.[9] It applies to wet marine and transportation insurance at a rate of 0.75% of gross underwriting profit, defined as net premiums minus net losses paid.[10]

There are a number of credits allowed against insurance premiums tax liability. These include:
- 100% of corporate income tax paid pursuant to chapter 220, F.S.[11]
- 15% of salaries paid by the company to its Florida-based employees.[12]
- 50% of a community contribution made pursuant to the Community Contribution Tax Credit Program for enterprise zones.[13]
- 100% of donations made to eligible scholarship funding organizations pursuant to s. 1002.395.[14]

The sum of the credits granted for corporate income tax and employee salaries may not exceed 65% of the insurer's premium tax liability.[15]

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[6] Section 624.509, F.S.
[7] Section 624.509(1)(a), F.S.
[8] Section 624.4625(4), F.S.
[9] Section 624.509(1)(b), F.S.
[10] Section 624.510, F.S.
[11] Section 624.509(4), F.S.
[12] Section 624.509(5), F.S.
[13] Section 624.5105, F.S.
[14] Section 624.51055, F.S.

Retaliatory Tax
When another state or foreign country levies certain taxes or fees, including insurance premiums tax, on Florida insurers in excess of the taxes and fees levied by Florida on insurers from such other state or foreign country, a retaliatory tax is charged.[16] Companies from the other state or foreign country are taxed using the same tax and fee structure that a similar Florida insurer operating in such state or foreign country would be charged.

Title Insurance
Title insurance companies insure owners of real property and others with an interest in real property against loss due to encumbrance, defective titles, invalidity, or adverse claim to title.[17] The Financial Services Commission, consisting of the Governor, Attorney General, Chief Financial Officer, and Commissioner of Agriculture and Consumer Services,[18] must adopt a rule setting the rates charged by title insurance companies and determining the minimum portion of those premiums retained by the title insurer.[19] This percentage varies depending on the total coverage of the policy, and ranges from 30% to 40%.[20] The portion not retained by the title insurer goes to the title insurance agent.

Effect of the bill

The bill provides that insurance premiums tax may not be imposed on any portion of a title insurance premium retained by a title insurance agent or agency. It also clarifies that this exemption does not impact the promulgation of title insurance rates by the Financial Services Commission.

Local Business Taxes

Chapter 205, Florida Statutes, authorizes counties and municipalities to levy a business tax for the privilege of engaging in or managing any business, profession, or occupation within their jurisdictions. Section 205.0535 (2), F.S., requires that a municipality or county establish an equity study commission before revising its business taxes.

Effect of the bill

The bill allows a county or municipality to repeal a local business tax or establish new rates that decrease the taxes and do not result in an increase of local business taxes for a taxpayer without having to establish an equity study commission.

Prepaid Calling Arrangements

The communication services tax (CST) is applied to the sales price of each communications service which originates and terminates in this state, or originates or terminates in this state and is charged to a service address in this state.[21] However, the definition of the term “sales price” expressly excludes the “sale or recharge of a prepaid calling arrangement,” so CST is not collected on the sale of a prepaid calling arrangement. [22]

The term “prepaid calling arrangement” is defined to mean “the separately stated retail sale by advance payment of communications services that consist exclusively of telephone calls originated by using an access number, authorization code, or other means that may be manually, electronically, or otherwise

[15] Section 624.509(6)(a), F.S.
[16] Section 524.5091, F.S.
[17] Section 624.608, F.S.
[18] Section 20.121(3), F.S.
[19] Section 627.782, F.S.
[20] Rule 69O-186, F.A.C.
[21] Section 202.12, F.S.
[22] Section 202.11(13)(b)4., F.S.

entered and that are sold in predetermined units or dollars of which the number declines with use in a known amount."[23]

Chapter 212, F.S., provides for the application of the sales tax to the sale of tangible personal property and some services. The sales tax rate of 6 percent is applicable to charges for prepaid calling arrangements.[24] The term "prepaid calling arrangement" as defined in ch. 212, F.S., means "the separately stated retail sale by advance payment of communications services that consist exclusively of telephone calls originated by using an access number, authorization code, or other means that may be manually, electronically, or otherwise entered and that are sold in predetermined units or dollars whose number declines with use in a known amount."[25] The definition of "prepaid calling arrangement" in ch. 202, F.S. is virtually identical to the definition in ch. 212, F.S.

Effect of the bill

The bill amends subsection 202.11(9), F.S., to revise the definition of the term "prepaid calling arrangement." For other than mobile communications services, the term includes a right to use communications services "for which a separately stated price must be paid in advance, which is sold at retail in predetermined units that decline in number with use on a predetermined basis, and which consists exclusively of telephone calls originated by using an access number, authorization code, or other means that may be manually, electronically, or otherwise entered."

For mobile communications services, the term includes "a right to use mobile communications services that must be paid for in advance and is sold at retail in predetermined units that expire or decline in number on a predetermined basis if:

1. The purchaser's right to use mobile communications services terminates upon all purchased units expiring or being exhausted unless the purchaser pays for additional units;
2. The purchaser is not required to purchase additional units; and
3. Any right of the purchaser to use units to obtain communications services other than mobile communications services is limited to services that are provided to or through the same handset or other electronic device that is used by the purchaser to access mobile communications services."

The bill expands the definition of "prepaid calling arrangement" to include prepaid communication services other than those that consist exclusively of telephone calls. The changes recognize that under current industry practices prepaid services may include services other than telephone calls, such as text messaging, web access, and email.

Commercial Electricity: Transfer of Sales Tax to Gross Receipts Tax

The sale of electric power or energy by an electric utility is subject to the state sales tax at the rate of 7 percent.[26]

Chapter 203, F.S., imposes, at the rate of 2.5 percent, a tax on gross receipts from the sale, delivery, or transportation of natural gas, manufactured gas, or electricity to a retail consumer in Florida. All revenue received pursuant to this tax is deposited in the Public Education Capital Outlay and Debt Service ("PECO") Trust Fund. The use of such funds is limited to paying the principal and interest on bonds to finance capital projects for institutions of higher learning, community colleges, vocational technical schools, or public schools; the cost of any public educational facility capital project; or the cost of maintenance and repairs.

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[23] Section 202.11(9), F.S.
[24] Section 212.05(1)(e)1., F.S.
[25] *Id*.
[26] Section 212.05(1)(e)1.c., F.S.

Effect of the Bill

The bill decreases the sales tax rate on sales of electricity from 7.0 percent to 4.35 percent and creates an additional gross receipts tax rate of 2.6 percent on electrical power or energy delivered to a non-exempt retail consumer. The new gross receipts tax additional rate will incorporate the existing exemptions from the sales tax.

Thus the bill will provide a small tax reduction to commercial purchasers of electricity (a tax rate reduction of 0.05 percentage point). The bill also reduces revenues that are deposited in the General Revenue Fund and increases deposits to the Public Education Capital Outlay Fund (PECO). Funds deposited in the PECO trust fund are used to fund construction and maintenance of educational facilities.

New Markets Tax Credit Program

Federal New Markets Tax Credit[27]

Created by Congress in 2000, the Federal New Markets Tax Credit (NMTC) Program[28] permits taxpayers to receive a credit against federal income taxes for making qualified equity investments in designated Community Development Entities (CDEs). The CDE must in turn invest the qualified equity investments in businesses in low-income communities. The credit provided to the investor totals 39 percent of the cost of the qualified equity investment and is claimed over a seven-year period. In each of the first three years, the investor receives a tax credit equal to five percent of the total amount paid for the stock or capital interest at the time of purchase. For the final four years, the value of the credit is six percent annually. Investors may not redeem their investments in CDEs prior to the conclusion of the seven-year period.

An organization wishing to receive allocations under the federal NMTC Program must be certified as a CDE by the U. S. Department of Treasury.[29] To qualify as a CDE, an organization must:

- Be a domestic corporation or partnership at the time of the certification application,
- Demonstrate a primary mission of serving, or providing investment capital for low-income communities or low-income persons, and
- Maintain accountability to residents of low-income communities through representation on a governing board of or advisory board to the entity.

Since the Federal NMTC Program's inception, the CDFI Fund has made 664 awards allocating a total of $33 billion in tax credit authority to CDEs through a competitive application process.[30]

Florida's New Markets Development Program

Modeled after the federal program, Florida's New Markets Development Program, established by the Legislature in 2009,[31] encourages "capital investment in rural and urban low-income communities by allowing taxpayers to earn credits against specified taxes by investing in qualified community

[27] Federal New Markets Tax Credit Program, Overview, http://cdfifund.gov/what_we_do/programs_id.asp?programID=5 (last visited February 14, 2013).
[28] The Federal New Markets Tax Credit Program was enacted as P.L. 106-554, Community Tax Relief Act of 2000 and signed into law on December 21, 2000.
[29] The Community Development Financial Institutions Fund is the entity within the U.S. Department of Treasury that administers the federal New Markets Tax Credit Program. The CDFI Fund was created for the purpose of promoting economic development through investment in and assistance to community development financial institutions. U.S. Department of Treasury, Community Development Financial Institutions Fund, About the CDFI Fund, http://cdfifund.gov/who_we_are/about_us.asp (last visited February 14, 2013).
[30] *See supra* note 1.
[31] Chapter 2009-50, L.O.F.

development entities that invest in qualified active low-income community businesses to create and retain jobs."[32]

Under the program, federally-certified Community Development Entities (CDEs), which have entered into allocation agreements with the U.S. Department of Treasury, have the ability to apply to the Department of Economic Opportunity (DEO) for a certification of Florida tax credits. The CDE must show that it is prepared to invest capital into qualified businesses in Florida's low-income communities. The certification process includes proof of the CDE's eligibility, identification of its investors, description of the investments to be raised by the CDE, information regarding how the investments will be used, and a description of the CDE's efforts to partner with local community-based groups.

DEO is also authorized to request additional information needed to verify continued certification. DEO certifies qualified applications on a first-come, first-served basis. Once DEO certifies a CDE's qualified equity investment, the CDE has 30 days to raise its investment capital (the qualified equity investment) and then 12 months to invest a minimum of 85 percent of the purchase price in qualified low-income investments. Thereafter, the CDE must annually report to DEO information including:[33]

- Audited financial statements,
- The industries for the investments,
- The counties investments were made in,
- The number of jobs created, and
- Verification that the average wages paid are at least equal to 115 percent of the federal poverty income guidelines for a family of four.

Any failure by a CDE to follow either Florida or federal law may result in the state recapturing tax credits claimed, together with interest and penalties.[34]

Florida Tax Credits
Florida's New Markets Tax Credit Program allows a tax credit to be taken against the corporate income tax found in s. 220.11, F. S. or the insurance premium tax found in s. 624.509, F.S. This credit may be claimed after the investment in the CDE has been made. No credit can be claimed in the first two years after investment in the CDE. In year three after the investment the credit is worth seven percent of the qualified investment, and from the fourth year through the seventh year the credit is worth eight percent.

As in the federal program, over seven years this credit totals 39 percent of the total qualified investment in the CDE. Therefore, a qualified taxpayer with a qualified investment approved for both the federal and state program could receive 78 percent of the purchase price of the investment in tax credits over seven years. In addition to the tax credits that are received, the investor also has the potential to receive benefit from the results of the investment and eventual return of their principal.

Any unused portion of the tax credit may be carried forward for future tax years; however, all tax credits expire on December 31, 2022.[35] The program has a cap of $178.8 million on the total of tax credits allowed to be allocated to all investments or $36.6 million in tax credits in a single state fiscal year.[36] The transfer or sale of tax credits is not permitted; however, a tax credit may travel with the purchase of a business to a new owner.[37]

Effect of the Bill

The bill increases the total amount of tax credits available to be allocated for the New Markets Development Program from $178.8 million to $216.34 million.

[32] Section 288.9912, F.S.
[33] Section 288.9918, F.S.
[34] Section 288.9920, F.S.
[35] Section 15, ch. 2009-50, L.O.F.
[36] Section 288.914(3)(c), F.S. *See* s. 16, ch. 2012-32, L.O.F.
[37] Section 288.9916(2), F.S.

Registration Information Sharing and Exchange Program

Section 213.0535, F.S., creates the Registration Information Sharing and Exchange Program and permits the sharing of tax administration information between different specified local government entities. “Level-two” participants include local officials responsible for collecting tourism taxes; these participants are permitted to share information between each other but not with other related entities.

Effect of the Bill

The bill permits a level-two participant to publish aggregate statistics on tourism taxes as long as the data does not pertain to fewer than three taxpayers or the data is prepared for geographic areas below the county level and does not pertain to fewer than ten taxpayers. Also, the published information may not be used to determine the gross receipts of any individual taxpayer. Statistics published may only relate to the taxes imposed under ss. 125.0104, 125.0108, 212.0305, F.S., and ch. 67-930, L.O.F.

Community Contributions Tax Credit

The Community Contribution Tax Credit Program provides a credit or refund in the amount of 50 percent of eligible donations by Florida businesses that make qualifying donations toward community development and housing projects for low-income persons sponsored by organizations that have been approved by the Department of Economic Opportunity to participate in the program.

A business that makes a donation to an eligible sponsor will then apply for a tax credit during the first 10 business days of the fiscal year after the donation is made. Each corporation is eligible to receive credits of up to a maximum of $200,000 per tax year.

Businesses may take the credit against corporate income tax pursuant to s. 220.183, F.S., insurance premium tax pursuant to s. 624.5105, F.S., or as a refund on sales tax collected pursuant to s. 212.08(5)(p), F.S. A total of $14 million in tax credits may be awarded annually by the Department of Economic Opportunity. If requests for tax credits within the first 10 business days of a fiscal year exceed the tax credit allocation, tax credit applications will be approved on a pro rata basis. If they do not exceed that allocation, they will be approved on a first-come, first-served basis.

The Community Contribution Tax Credit Program expires on June 30, 2015.

Effect of the Bill

The bill extends the expiration date of the program by one year to June 30, 2016, and increases the annual cap for that program from $14 million to $21.9 million.

Cigarette Tax Distribution

Current Situation

Chapter 210, F.S., provides for the taxation of tobacco products. Taxes are imposed on the sale of cigarettes and other non-cigar tobacco products in Florida. For cigarettes of a common size, the tax rate is $0.339 per pack. Additionally, a $1.00 surcharge per pack of common size cigarettes is imposed. For other tobacco products, the tax is at 25 percent of wholesale price, with an additional surcharge of 60 percent of wholesale price. The cigarette tax is collected by the Department of Business and Professional Regulation and deposited into Cigarette Tax Collection Trust Fund.

Section 210.20(2), F.S., provides for monthly distribution from the cigarette tax (not the surcharge) as follows:

Distribution from total collections:
- 8 percent to General Revenue Service Charge[38]; and
- 0.9 percent to the Alcoholic Beverage and Tobacco Trust Fund[39].

Distribution from remaining collections:
- 2.9 percent to Revenue Sharing Trust Fund for Counties;
- 29.3 percent to Public Medical Assistance Trust Fund;
- 2.75 percent to Board of Directors of the H. Lee Moffitt Cancer Center and Research Institute (Moffitt);
- 1 percent to the Biomedical Research Trust Fund; and
- The remainder of funds to General Revenue.

Effect of the Bill

The percent distributed to the H. Lee Moffitt Cancer Center and Research Institute is increased beginning July 1, 2014, to 4.04 percent.

Appropriations

The bill contains the following nonrecurring appropriations from General Revenue:
- $280,912 to implement the Hurricane Preparedness Sales Tax Holiday (this appropriation occurs during the 2013-14 fiscal year and carries forward into 2014-15),
- $223,048 to implement the Back to School Sales Tax Holiday (this appropriation occurs during the 2013-14 fiscal year and carries forward into 2014-15), and
- $43,941 to implement the Energy Efficient Appliances Sales Tax Holiday.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

   See *Fiscal Comments*

2. Expenditures:

   The bill includes appropriations totaling $503,960 in fiscal year 2013-14 and $43,941 in fiscal year 2014-15 for the purpose of administering the sales tax holidays.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

   See *Fiscal Comments*

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[38]Section 215.20, F.S.
[39]Section 210.02, F.S.

2. Expenditures:

   None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The bill provides a broad approach of tax cuts to encourage various industries within the private sector.

D. FISCAL COMMENTS:

The estimates in the table below are provided in part by the Revenue Estimating Conference and in part by staff. The impact of the bill in fiscal year 2014-2015 is -$215.5 million (-$214.4 million recurring) on General Revenue, is +$144.8 million (+$167.1 million recurring) on state trust funds, and is -$14.4 million (-$16.5 million recurring) on local government. The total cash impact in fiscal year 2014-2015 is -$84.9 million (-$63.8 million recurring). The non-recurring cash impact in fiscal year 2015-2016 attributable to the extension of the Community Contribution Tax Credits adds a further -$19.7 million impact to General Revenue, -$2.2 million to local governments, and brings the total cash impact of the bill to -$106.8 million. When the -$71.9 million impacts of the purely non-recurring items are added to the recurring impact, the total impact of the bill is -$135.7 million.

	General Revenue		State Trust Funds		Local		Total	
Issue	1st Yr	Recur.	1st Yr	Recur.	1st Yr	Recur.	1st Yr	Recur.
Cigarette Tax: Moffitt Distribution Increase	(5.0)	(5.0)	5.0	5.0	-	-	-	-
CST: Apply Sales Tax to Prepaid/Forgiveness ***	-	(1.4)	-	(5.7)	-	(11.2)	-	(18.3)
Ins Prem Tax: New Markets	-	(7.7)	-	-	-	-	-	(7.7)
Insurance Prem Tax: Bail Bonds	(0.4)	(0.7)	-	-	-	-	(0.4)	(0.7)
Insurance Prem Tax: Title Insurance	(2.8)	(5.4)	-	-	-	-	(2.8)	(5.4)
Local Business Tax: Tax Reduction by Ordinance	-	-	-	-	0/(**)	0/(**)	-	-
Sales Tax: Back-to-School Holiday	(32.3)	-	(*)	-	(7.3)	-	(39.6)	-
Sales Tax: Cement Mixer Drums	(3.3)	-	(*)	-	(0.4)	-	(3.7)	-
Sales Tax: Child Car seats	(2.0)	(2.2)	(*)	(*)	(0.5)	(0.5)	(2.5)	(2.7)
Sales Tax: College Meal Plans	(11.6)	(11.6)	(*)	(*)	(2.6)	(2.6)	(14.2)	(14.2)
Sales Tax: Electricity Rate Cut/PECO Swap	(142.5)	(171.0)	139.8	167.8	-	-	(2.7)	(3.2)
Sales Tax: Energy Efficient Appliance Tax Holiday	(1.7)	-	(*)	-	(0.3)	-	(2.0)	-
Sales Tax: Hurricane Prep Holiday	(3.4)	-	(*)	-	(0.8)	-	(4.2)	-
Sales Tax: Priv. Label Credit Card Refunds	(7.5)	(6.7)	(*)	(*)	(1.8)	(1.6)	(9.3)	(8.3)
Sales Tax: Therapeutic Pet Food	(2.3)	(2.5)	(*)	(*)	(0.5)	(0.6)	(2.8)	(3.1)
Sales Tax: Youth Bicycle Helmets	(0.2)	(0.2)	(*)	(*)	(*)	(*)	(0.2)	(0.2)
Tax Holidays: Appropriations	(0.5)	-	-	-	-	-	(0.5)	-
Tourist Dev Tax: Info Sharing Clarification	-	-	-	-	-	-	-	-
Various Taxes: Community Cont. Tax Credits **(FY 2015-16)**	(19.7)	-	(*)	-	(2.2)	-	(21.9)	-
TOTAL	**(235.2)**	**(214.4)**	**144.8**	**167.1**	**(16.4)**	**(16.5)**	**(106.8)**	**(63.8)**

*** Estimates reflect minimums. Potential indeterminate impacts range up to $8 million for General Revenue, $65 million for Gross Receipts Tax, and $127 million for local option taxes.