

The Florida Senate
COMMITTEE MEETING EXPANDED AGENDA

FINANCE AND TAX
Senator Gainer, Chair
Senator Gruters, Vice Chair

MEETING DATE: Wednesday, December 12, 2018

TIME: 3:30—5:00 p.m.

PLACE: 401 Senate Office Building

MEMBERS: Senator Gainer, Chair; Senator Gruters, Vice Chair; Senators Baxley, Bracy, Bradley, Pizzo, Powell, and Stargel

TAB	BILL NO. and INTRODUCER	BILL DESCRIPTION and SENATE COMMITTEE ACTIONS	COMMITTEE ACTION
1	Introductions		Discussed
2	Overview of Committee Jurisdiction		Presented
Other Related Meeting Documents			

2018-2020 Finance and Tax Committee

George Gainer, Chair - District 2

302 SB

Tallahassee Office: 5002

District: 40200

Assistants: Andrea Gainey and
Kimberly Rodgers

Rob Bradley – District 5

414 SB

Tallahassee Office: 5005

District: 40500

Assistants: Taylor Ferguson, Mary
"M.D." Lee, and Tonya Shays

Joe Gruters, Vice Chair – District 23

324 SB

Tallahassee Office: 5023

District: 42300

Assistants: Josh Barnhill, Victoria Brill
and GeeDee Kerr

Jason W. B. Pizzo – District 38

224 SB

Tallahassee Office: 5038

District: 43800

Assistants: Maggie Gerson, Linda Kraft
and Teri Cariota

Dennis Baxley – District 12

320 SB

Tallahassee Office: 5012

District: 41200

Assistants: Matthew McClain, Sharon
Nehring, and Debbie Dennis

Bobby Powell – District 30

214 SB

Tallahassee Office: 5030

District: 43000

Assistants: Nazbi Chowhury, Marian
Dozier, and Benjamin Durgan

Randolph Bracy – District 11

213 SB

Tallahassee Office: 5011

District: 41100

Assistants: Aisha Bien-Aime, Charlean
Gatlin, and Travaris McCurdy

Kelli Stargel – District 22

408 SB

Tallahassee Office: 5022

District: 42200

Assistants: Rachel Barnes and Chad
Davis

Staff

Finance and Tax Committee

José A. Diez-Argüelles, Staff Director

This is Jose's ninth year with the Florida Senate. He also has 17 years of legislative experience with the House of Representatives, serving as Staff Director of the Finance and Tax committee for over eight years. He has worked at the Public Service Commission, the Department of Insurance, as an Administrative Law Judge and in private practice. He has a B.A. and Law Degree from Florida State University and a Masters in Tax Law Degree from Boston University. He is originally from Cuba and has lived in Tallahassee since 1971.

Robert Babin, Deputy Staff Director

This is Robert's ninth year with the Florida Senate. Previously, he worked for the Florida Department of Revenue for seven years, serving most recently as the Department's Legislative and Cabinet Services Director. He has a B.A. from the University of West Florida, and a Law Degree and Masters in Tax Law Degree from the University of Florida. He is originally from Pensacola and has lived in Tallahassee since 2004.

Ellen Fournier, Chief Legislative Analyst

Ellen has worked for the Florida Senate in the Finance and Tax area since 1990. Ellen also worked for the Florida Department of Commerce for six years, and was an adjunct professor of economics at FAMU in 1984. She served as a visiting professor of economics at the U.S. Naval Academy in 1978-79. She has a B.A. from Roanoke College and a Masters Degree in Economics from the University of Virginia. She is originally from Virginia and has lived in Tallahassee since 1980.

Steve Gross, Legislative Analyst

This is Steve's fifth year with the Florida Senate. Previously, he worked for Histecon Associates in Little Rock, Arkansas as a Research Analyst. He has a B.B.A. from the University of Central Arkansas and a Masters Degree in Economics from Florida State University. He grew up in South Florida and has lived in Tallahassee since 2013.

Lynn Wells, Administrative Assistant

This is Lynn's ninth year with the Florida Senate. She has a B.S. degree from the University of West Florida.

Jurisdiction
Finance and Tax Committee

The Finance and Tax Committee generally considers and evaluates proposals affecting state and local government revenue sources. When appropriate, the committee also examines proposals dealing with other state and local government financial matters, e.g., the issuance of bonds and investment activities. Committee staff represents the Senate in the revenue estimating process set forth in Sections 216.133 – 137, Florida Statutes.

Consensus Estimating Conferences

- Formal process to develop “official” information for state planning and budgeting system. (Sections. 216.133-216.137, F.S.)
- Established in statute in 1985, but existed since 1970 informally.
- Why does Florida have a consensus estimating process?
 - The consensus estimating process allows policymakers to evaluate policy options with agreed-to fiscal impacts.
 - It frees the policymakers to consider policy options rather than debating fiscal impacts.
 - It produces results based on the best available information that can be accepted by all parties.
 - It provides the revenue estimates for monitoring the balanced budget provision of Section 1(d), Article VII, Florida Constitution.
- Major projections:
 - General Revenue funds available
 - Lottery funds
 - Transportation funds
 - Prison population
 - Social services caseloads
 - Public school enrollment
 - Public education capital outlay funds
- 10 Formal Conferences
 - 4 voting principals in each—professional staff from House, Senate, Governor’s Office, and Office of Economic and Demographic Research.
 - Consensus is reached only by unanimous consent among the principals.
 - Generally, assume current law and current administration.

- Conferences held throughout the year:
 - Spring – for the Legislative Budget
 - Summer – for the Long Range Financial Plan
 - Fall – for the Governor’s Budget Request

- Impact Conferences – evaluate fiscal impacts of proposed legislation.

DEFINITIONS

REVENUES

Taxes – Compulsory exactions by government to finance public goods and services.

Fees – Charges assessed for a particular service or benefit.

User Fees – Assessed for goods and services provided by government to customers.

Regulatory Fees – Assessed to those obtaining a license, permit, or other privilege under regulatory laws enacted to protect public health, welfare, or safety.

Impact Fees – Charges imposed against new development to provide for the cost of capital facilities made necessary by growth.

Franchise Fees – Imposed upon a utility for the grant of a franchise and for the privilege of using the local government's right-of-way to conduct the utility business.

Special Assessments – Imposed on properties that derive a special benefit from the improvement or service provided.

Fines – Exacted as payment by way of punishment for the doing of some act that is prohibited or the failure to do some act that is required.

BUDGET

General Revenue Fund - Revenues from numerous sources received by the state available to the Legislature for any use. These are revenues that programs compete for and the Legislature must allocate among programs.¹

Trust Funds - Monies that are earmarked by law for specific purposes. The Legislature has limited discretion in allocating among programs, unless the law is changed.¹

Unallocated General Revenue (“Working Capital Fund”) - Consists of the projected receipts in the General Revenue Fund (including any prior year balances) which are in excess of the amount needed to meet General Revenue Fund appropriations for the current fiscal year. ¹

Budget Stabilization Fund - Consists of monies set aside equaling at least five percent of the previous year’s General Revenue Fund collections. It is required by the Constitution and can only be used to cover General Revenue Fund shortfalls and emergencies. ¹

Recurring - An expenditure or revenue source that is expected to occur year after year. Employee salaries, Medicaid expenditures, and sales tax revenue are examples.

Nonrecurring - An expenditure or revenue source that occurs in only one fiscal period or that is otherwise time-limited in duration. Start-up costs and bond proceeds are examples.

Why does the Recurring/Nonrecurring distinction matter? *It keeps the state from committing to grow state spending faster than anticipated revenues. For example, the use of nonrecurring revenues to fund a recurring program will leave the state with unfunded commitments that will have to be addressed – either from unanticipated future revenue growth or, by reducing other programs.*

¹ See Section 215.32, *Florida Statutes*.

RESOURCES

1. Article VII, Florida Constitution

2. Florida Tax Handbook

The *Florida Tax Handbook* provides statutory and administering authority for major state and local government revenue sources, and near-term estimates of revenue collections and dispositions. The tax base and rate of each source is provided, along with a brief statutory history. It includes fiscal impact estimates for all current exemptions, refunds, and allowances, and potential rate changes.

The *Handbook* also provides an overview of state revenues and expenditures, describes the Budget Stabilization Fund, and explains the consensus estimating conference process. It includes a section on major pending litigation which could significantly affect state revenue collections or tax policy.

The latest edition of the *Florida Tax Handbook* can be found at:

<http://edr.state.fl.us/content/revenues/reports/tax-handbook/taxhandbook2018.pdf>

The 2018 edition was released in early February 2018.

3. Local Government Financial Information Handbook

The *Local Government Financial Information Handbook* includes descriptions of local government revenue sources, and identifies the authority under which each is imposed, whether constitutional, home rule, or statutory. For many local revenue sources the *Handbook* includes revenue estimates for the upcoming state or local fiscal year; for others it provides the website address for data on actual collections. The *Handbook* also includes information on local option sales, fuel, and transient rental tax rates, and local population estimates. It is updated each October by the Office of Economic and Demographic Research, with assistance provided by the Department of Revenue's Office of Tax Research.

The latest edition of the *Local Government Financial Information Handbook* can be found at:

<http://edr.state.fl.us/Content/local-government/reports/index.cfm>

**FLORIDA
REVENUE ESTIMATING CONFERENCE**

**2018
FLORIDA TAX HANDBOOK
Including
Fiscal Impact of Potential Changes**



**Honorable Rick Scott
Governor
State of Florida**

**Honorable Joe Negron
President
Florida Senate**

**Honorable Richard Corcoran
Speaker
House of Representatives**

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2018
Local Government Financial
Information Handbook

September 2018

The Florida Legislature's
Office of Economic and Demographic Research



2018 Local Government Financial Information Handbook

September 2018

**Includes Revenue Estimating Conference Results
and Data through August 2018**

**Prepared by the Florida Legislature's
Office of Economic and Demographic Research (EDR)
with assistance provided by the
Florida Department of Revenue's Office of Tax Research.**

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THE FLORIDA SENATE
2018 SUMMARY OF LEGISLATION PASSED
Committee on Appropriations

CS/HB 7087 — Taxation

by Appropriations Committee; Ways and Means Committee; and Rep. Renner and others (CS/CS/SB 620 by Appropriations Committee; Commerce and Tourism Committee; and Senators Passidomo, Young, Steube, Campbell, and Stargel)

CS/HB 7087 contains provisions for tax relief and changes to tax policy.

The bill provides temporary tax relief for hurricane recovery, including:

- Sales tax exemptions for farms damaged by 2017 hurricanes for building materials used to repair nonresidential farm buildings, and farm fencing.
- Refund of taxes on fuel used for agricultural shipments post Hurricane Irma.
- Assessment of citrus processing and packing equipment not being used at salvage value for 2018 property tax.
- Hurricane-damaged agricultural parcels taken out of production can retain their agricultural classification for five years.
- Residential homestead property damaged by a natural disaster is eligible for a refund of taxes paid.
- Documentary stamp tax exemption for emergency loans.
- Temporary sales tax exemption for emergency generators purchased by nursing homes and assisted living facilities.

Sales Tax Holidays

- 7-day disaster preparedness holiday in June.
- 3-day back to school sales tax holiday in August.

Property Tax Provisions

- Guidance for assessing multi-parcel buildings.
- Homestead property damaged by a storm may retain its Save Our Home benefit for portability purposes if it is not repaired by January 1 following the storm.
- Update of the list of military operations that qualify a service member for a property tax exemption.
- Removal of the requirement that a surviving spouse be married to a disabled ex-servicemember for five years prior to his or her death in order to receive a \$5,000 property tax exemption.
- The Florida Government Utilities Authority is exempted from property taxes or assessments on property in a county that is not a member of the authority.

Sales Tax Provisions

- The business rent tax is reduced from 5.8 percent to 5.7 percent.
- The bill provides exemptions for industrial machinery and equipment, and electricity, purchased by aquaculture operations.
- It provides an exemption for electricity and roll off containers used by recyclers.

- It revises the list of public facilities that can be funded with the local option infrastructure surtax to include facilities that are necessary to carry out governmental purposes, such as fire stations, general governmental buildings, and animal shelters, and adds instructional technology used in a school districts classrooms.

Traffic Fines Reduction

- The bill provides a nine percent reduction of a civil traffic penalty if the driver cited elects to participate in traffic school.

Fuel Tax Provisions

- The bill exempts motor fuel purchased by a terminal supplier who resells the fuel to an exporter.
- It extends the natural gas tax exemption until 2024.
- It reduces the aviation fuel tax rate for air carriers who conduct scheduled operations or all-cargo operations.

Other Items

- The bill exempts Housing Finance Authority-related notes and mortgages from the excise tax on documents.
- It exempts transfers of property between spouses in the first year of marriage from the documentary stamp tax.
- It changes mileage restrictions on trucks used to haul forestry products and agricultural products.
- It requires the H. Lee Moffitt Cancer Center and Research Institute to report how the cigarette tax distribution is spent.
- It requires sports franchises, the professional golf hall of fame, the International Game and Fish Association World Center facility, and spring training facilities to report how the money received from the sales and use tax distribution is spent.
- It raises the Community Contribution Tax Credit Program cap from \$10.5 million to \$12.5 million for Fiscal Year 2018-2019 and to \$13.5 million for Fiscal Year 2019-2020 for projects that provide housing opportunities to certain persons and households.
- It increases the total amount of tax credits for the rehabilitation of brownfield sites from \$10 million to \$18.5 million for Fiscal Year 2018-19.
- It redirects \$1.5 million in court fees to the Miami-Dade Clerk of Court.
- It authorizes additional uses of Tourist Development Tax revenue for certain water-related improvements, and for infrastructure to support tourism businesses.
- It provides that the Taxpayer Rights Advocate in the Department of Revenue must report to the state's Chief Inspector General and may be removed from office only by the Chief Inspector General.
- It provides for fiscally constrained counties and Monroe County to be reimbursed for loss of property tax revenue due to abatement of taxes on damaged homestead property.
- It provides for fiscally constrained counties to be reimbursed for loss of property tax revenue due to the reduced value of citrus processing equipment.

- It increases allowable per-pupil spending of the discretionary millage revenues received by school districts from \$100 to \$150 to purchase vehicles and pay insurance premiums.
- It requires counties and school districts that want to adopt a new discretionary sales surtax to have a CPA conduct a performance audit of the program related to the surtax prior to holding a referendum.
- It provides a local business tax exemption for honorably discharged veterans and their spouses and unremarried surviving spouses, and for individuals receiving public assistance and low-income individuals.
- It prohibits a local government from requiring a communications services tax dealer that occupies its roads or rights-of-way to pay into a security fund.
- It creates a new chapter in Florida Statutes dealing with Marketplace Contractors. These are individuals that enter into agreements with marketplace platforms to use the platforms' technology to provide services to third-party individuals or entities seeking temporary household services. The amendment provides a list of eligible services, and stipulates that it does not include services that require licensure under ch. 489, F.S., regulation of the construction industry. Marketplace contractors are not considered employees of the marketplace platform for purposes of workers' compensation and reemployment assistance.

If approved by the Governor, these provisions take effect July 1, 2018, except as otherwise provided.

Vote: Senate 33-3; House 93-12

Appropriations Subcommittee On Finance and Tax

HJR 7001 — Supermajority Vote for State Taxes or Fees

by Ways and Means Committee and Reps. Leek and others (SJR 1742 by Senator Stargel)

HJR 7001 proposes an amendment to the State Constitution providing that no state tax or fee may be imposed, authorized, raised by the legislature, or authorized by the Legislature to be raised, except through legislation approved by two-thirds of the membership of each house of the legislature. The joint resolution also requires that any proposed state tax or fee imposition, authorization or increase must be contained in a separate bill that contains no other subject. The joint resolution specifies that the proposed amendment does not authorize the imposition of any state tax or fee otherwise prohibited by the State Constitution, and does not apply to any tax or fee imposed by, or authorized to be imposed by, a county, municipality, school board, or special district.

The amendment proposed in the joint resolution will take effect on January 8, 2019, if approved by sixty percent of the voters during the 2018 general election or earlier special election.

If approved by the voters, these provisions take effect January 8, 2019.

Vote: Senate 25-13; House 80-29

Appropriations Subcommittee On Finance and Tax

HB 7093 — Corporate Income Tax

by Ways and Means Committee; and Rep. Renner (CS/SB 502 by Appropriations Committee and Senator Stargel)

The bill adopts provisions of the Internal Revenue Code in effect on January 1, 2018, for purposes of Florida's corporate income tax; however, the bill decouples from the bonus depreciation provisions of the Tax Cuts and Jobs Act of 2017. A taxpayer must add back the bonus depreciation amount deducted in the first year but is allowed to subtract one-seventh of the amount from Florida taxable income over seven years.

The bill provides that, if Fiscal Year 2018-2019 corporate income tax receipts exceed the corporate income tax estimate by more than seven percent, the amount over seven percent must be refunded to taxpayers, and the corporate income tax rate is decreased for taxable years beginning on or after January 1, 2019, but before January 1, 2020.

The bill requires the Department of Revenue to study the effects of the Tax Cuts and Jobs Act of 2017 on Florida's corporate income tax structure and revenues. The department is required to hold public workshops, receive public input, and file reports with the Legislature and Governor.

If approved by the Governor, these provisions take effect upon becoming law and operate retroactively to January 1, 2018.

Vote: Senate 25-11; House 81-26

Committee on Appropriations

HB 7109 — Taxation

by Ways and Means Committee and Rep. Boyd and others

The bill contains the following provisions:

- Provides a 3-day “back-to-school” holiday (August 4-6, 2017) for clothing and footwear costing \$60 or less, school supplies costing \$15 or less, and for computers with a sales price of \$750 or less.
- Provides a 3-day disaster preparedness sales tax holiday (June 2-4, 2017) for certain first-aid kits, tie-down kits, fuel tanks, batteries, food storage coolers, self-powered lights and radios, portable generators, and reusable ice.
- Reduces the state sales tax rate on the rental of commercial real estate from 6.0 percent to 5.8 percent.
- Exempts from sales tax feminine hygiene products.
- Exempts from sales tax the purchase of building materials used in new buildings constructed in Rural Areas of Opportunity.
- Exempts from sales tax health products for livestock, poultry and aquaculture.
- Exempts from sales tax property used to construct and equip a large capacity data center.
- Exempts from sales tax purchases made by certain municipally owned golf course operators.
- Exempts from sales tax fingerprint services that are part of the application to obtain a concealed weapons and concealed firearms license. This simply codifies the current administrative treatment.
- Makes permanent the Community Contribution Tax Credit program and provides a limit of \$14.0 million in credits each year.
- Increases the Contaminated Site Rehabilitation Tax Credit program annual tax credit limit from \$5 million to \$10 million.
- Increases the limit on Research and Development Corporate Tax Credits from \$9 million to \$16.5 million for calendar year 2018.
- Provides a 50 percent discount in property taxes to certain multifamily projects that provide affordable housing to low income persons and families.
- Exempts charitable 501(c)(3) Assisted Living Facilities from property tax.
- Extends until 2053 the distribution of cigarette tax receipts to the Moffitt Cancer Center set to end in 2033.
- Clarifies the requirements for granting a property tax exemption for property leased to a charter school.
- Extends the deadline for charter schools to apply for a property tax exemption.
- Allows low-income residents of homes for the aged to prove their income by providing an affidavit to the property appraiser.
- Exempts marine boat trailers used by charitable organizations from motor vehicle registration fees.

- Authorizes the use of tourist development taxes for publicly owned auditoriums operated by charitable organizations.
- Provides guidance for determining whether certain heavy construction and agricultural equipment returned to the dealer under a rent-to-purchase option is inventory and exempt from property tax.
- Sets forth procedures for resellers of admissions to receive a refund of taxes paid when they make a sale to a tax-exempt person, effective January 1, 2018.
- Extends the Corporate Income Tax filing extension period from 5 months to 6 months for certain corporate taxpayers to conform with federal changes.
- Redefines “beer” for purposes of the beverage law and liquor taxes.
- Preserves the Enterprise Zone boundaries in existence before December 31, 2015, for the purpose of allowing local governments to administer local incentive programs for a limited time period.
- Repeals several small license taxes and registration fees administered by the Department of Revenue.
- Simplifies administrative requirements for vending machines.
- Requires local motor fuel taxes to be renewed before July 1 to be effective on September 1 of the year they expire.
- Deletes a requirement that circuit courts provide estate administration information to the Department of Revenue.
- Changes the due date for Reemployment Assistance Tax returns and allows the Department of Revenue to waive penalties for late filing in certain circumstances.
- Repeals obsolete emergency rulemaking authority for the Department of Revenue.

If approved by the Governor, these provisions take effect July 1, 2017, except where otherwise expressly provided.

Vote: Senate 34-4; House 109-3

Appropriations Subcommittee On Finance and Tax

CS/HJR 21 — Limitations on Property Tax Assessments

by Ways and Means Committee; Rep. Burton and others (CS/SJR 76 by Appropriations Committee and Senators Lee, Garcia, and Perry)

This joint resolution proposes an amendment to the Florida Constitution to remove the scheduled January 1, 2019, repeal of the 10-percent assessment limitation on non-homestead property.

If approved by the electors, this provision will take effect January 1, 2019.

Vote: Senate 35-0; House 110-3

THE FLORIDA SENATE
2017 SUMMARY OF LEGISLATION PASSED
Committee on Appropriations

HB 7099 — Corporate Income Tax

by Ways and Means Committee and Rep. Cortes, B. (CS/SB 1156 by Appropriations Committee and Senator Stargel)

The bill updates the Florida Income Tax Code to adopt the Federal Internal Revenue Code in effect on January 1, 2017. The legislation changes Florida's extension period to file a corporate income tax return to match a similar federal time period, and it requires estimated payments that are due on the last Saturday or Sunday in June to be paid by the last Friday in June.

If approved by the Governor, these provisions take effect upon becoming law.

Vote: Senate 35-0; House 117-0



THE FLORIDA SENATE

Tallahassee, Florida 32399-1100

COMMITTEES:
Appropriations Subcommittee on Education,
Chair
Appropriations
Education
Ethics and Elections
Finance and Tax
Judiciary

JOINT COMMITTEE:
Joint Select Committee on Collective Bargaining

SENATOR KELLI STARGEL
22nd District

December 12, 2018

To: Chair George Gainer
From: Senator Kelli Stargel
Subject: Excusal Letter For Committee Meeting
Date: December 12, 2018

Chair Gainer:

I am requesting an excusal from the Senate Finance and Tax Committee on December 12, 2018. I have been unfortunately delayed from attending this meeting.

Sincerely,

A handwritten signature in black ink that reads "Kelli Stargel".

Senator Kelli Stargel, District 22

A handwritten signature in black ink that reads "George Gainer".

REPLY TO:

- 2033 East Edgewood Drive, Suite 1, Lakeland, Florida 33803 (863) 668-3028
- 408 Senate Building, 404 South Monroe Street, Tallahassee, Florida 32399-1100 (850) 487-5022

Senate's Website: www.flsenate.gov

BILL GALVANO
President of the Senate

DAVID SIMMONS
President Pro Tempore

CourtSmart Tag Report

Room: SB 401

Case No.:

Type:

Caption: Senate Committee on Finance and Tax

Judge:

Started: 12/12/2018 3:32:59 PM

Ends: 12/12/2018 3:51:24 PM **Length:** 00:18:26

3:33:06 PM Meeting Called to Order

3:33:13 PM Roll Call

3:34:27 PM Member Introductions

3:39:45 PM Jose Diez-Arguelles, Staff Director, Introduction of Committee Staff

3:41:50 PM Jose Diez-Arguelles, Staff Director, Overview of Committee's Jurisdiction

3:51:12 PM Meeting Adjourned