

STORAGE NAME: h3687a.ted

DATE: April 21, 1998

**HOUSE OF REPRESENTATIVES
AS FURTHER REVISED BY THE COMMITTEE ON
TRANSPORTATION & ECONOMIC DEVELOPMENT APPROPRIATIONS
BILL RESEARCH & ECONOMIC IMPACT STATEMENT**

BILL #: HB 3687

RELATING TO: Entertainment Industry Growth Act

SPONSOR(S): Committee on Tourism; Representative Barreiro and others

COMPANION BILL(S): SB 1612 (similar); SB 1614 (compare)

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

- (1) TOURISM YEAS 10 NAYS 0
- (2) GOVERNMENTAL RULES AND REGULATIONS YEAS 5 NAYS 0
- (3) FINANCE AND TAXATION YEAS 13 NAYS 0
- (4) TRANSPORTATION & ECONOMIC DEV. APPROPRIATIONSNS YEAS 10 NAYS 0
- (5)

I. SUMMARY:

HB 3687 originated as TU 98-01 and developed from interim work of the House Committee on Tourism. HB 3687 repeals those sections that authorized the creation of a direct support organization to administer entertainment industry promotion and development activities and authorized the Governor's Office of Tourism, Trade, and Economic Development (OTTED) to contract with that organization for such services. HB 3687 creates the Florida Entertainment Industry Growth Act. It establishes the Entertainment Florida Council which is tasked with developing a 5-year strategic plan to develop, promote, and serve the state's entertainment industry and with overseeing the implementation of the plan. The bill also establishes the Office of the Entertainment Industry Commissioner to implement the council's strategic plan, develop a methodology for working with local entertainment industry promotion offices in providing service to the industry, serve as a liaison between government and the entertainment industry and serve as a liaison between the entertainment industry and labor interests. This office is also authorized to develop and administer the application process for entertainment industry tax exemptions and administer the entertainment industry incentive grant program. This grant program has six categories and is funded through proceeds derived from sales taxes on entertainment industry products reported to the Department of Revenue. Both organizations are to be administratively located in OTTED.

The bill revises the current entertainment industry tax exemptions by removing the exclusion of companies licensed by the Federal Communications Commission from seeking the tax exemptions and by providing uniform definitions and a single application process to be used in administering all of the exemptions. The application process provides a mechanism for obtaining information on the level of production activated in this state and for comparing the state's tax exemption investment to the level of production tax expenditure return on that investment. The bill further revises the exemption on certain items of entertainment industry equipment by allowing the exemption to be taken at the point of sale by qualified production companies instead of by refund. Additionally, the bill provides that qualified production companies may apply for a 30 percent refund on all sales taxes paid for items and services integral to production. This refund is capped at \$100,000 per production. Certain exemptions are repealed in the year 2008 pending a legislative review.

The Revenue Estimating Conference has estimated that the provisions of this bill will positively impact the growth of entertainment industry activity in Florida and will consequently cause the level of current tax exemptions to increase by about 10% for a cumulative difference to the state of (\$3.3 m) in FY 1998/99 and (\$8.4 m) in FY 1999/00. The impact on local governments is (\$0.4 m) in FY 1998/99 and (\$1.0 m) in FY 1999/00. The administrative costs associated with the provisions of this bill are estimated to be \$215,145 for FY 1998/99 and \$225,176 for FY 1999/00.

II. SUBSTANTIVE RESEARCH:

A. PRESENT SITUATION:

Recent History of Entertainment Industry Promotion by the State

In 1992, s. 20.17, Florida Statutes, was amended to authorize the Department of Commerce to create a direct-support organization and to contract with this organization for the administration of this state's entertainment industry promotion and development programs. The initial organization was named the Florida Entertainment Commission (FEC). In 1993, Governor Chiles dissolved the Department of Commerce's Film Bureau and the department contracted with the FEC to conduct the state's programs for the entertainment industry. An executive director was hired and put in charge of entertainment industry promotion and development with the direction to raise private funds to supplement an appropriation of \$200,000.

Chapter 96-320, LOF, dissolved the Florida Department of Commerce and authorized the newly created Governor's Office of Tourism, Trade, and Economic Development (OTTED) to contract with either a not-for-profit corporation or a direct-support organization to assist OTTED in developing and promoting the state's entertainment industry. In 1996, the FEC reorganized itself into the Florida Entertainment Industry Council, Inc. (FEIC). Initially, the FEIC board of directors consisted of the same members that had served on the FEC even though the FEIC members were not officially appointed by the Governor.

Industry Incentives

Florida's sales tax code contains three exemptions related to entertainment industry sales activities:

- Section 212.031(1)(a)9., F.S., provides an exemption on the sale of real property used as an integral part of the performance of qualified production services. The fiscal impact of this exemption to the state during FY 1995-96 was \$1.9 million.
- Section 212.08(5)(f), F.S., provides a refund on sales taxes paid on certain products used in specific entertainment industry productions. The fiscal impact of this exemption to the state during FY 1995-96 was \$2.5 million.
- Section 212.08(12), F.S., provides a partial exemption on the sale of master tapes, records, films, or video tapes. The fiscal impact of this exemption to the State during FY 1995-96 was estimated at \$54.5 million. Subsequent research by staff of the Department of Revenue reports that the fiscal impact of this exemption may only be \$3.5 million annually.

Governmental entertainment industry liaisons and industry representatives alike have questioned the value of the sales tax refund as an effective incentive for a number of years. Typical entertainment industry financing and accounting treats each production activity or project as an independent entity with a finite lifespan. The retroactive and time consumptive nature of the refund does not allow the production decision makers to include any financial value this "incentive" may have into the projected expense budget of a project. By the time the refund is computed and returned, the books of the project

for which it was intended will, in most cases, have been closed out. Ultimately, the parent company may realize some financial value from the incentive, but decisions on where to activate the project have less of a chance of being driven by the offer of the refund.

Current Status of Entertainment Industry Promotion Activities by the State

Currently, OTTED operates two contracts with the FEIC. The first contract designates the FEIC to be the not-for-profit corporation to assist OTTED in the promotion and development of the state's entertainment industry from July 1, 1997, to June 30, 1998. The second contract, a consulting contract, provides that the FEIC would produce and distribute a directory of Florida entertainment production services and produce and distribute four entertainment industry promotional magazines. The FEIC would be paid a fee of \$200,411, payable in installments based upon a distribution schedule.

Numerous problems have been reported on the consulting contract. Production deadlines have been delayed or missed, and in some instances, production has not occurred. Additionally, numerous factual errors have been identified in the directory. The Office of the Comptroller reports that checks totaling \$35,000 have been issued to the FEIC during the current contract period.

Section 14.2015, F.S., requires that performance measures be included in any contract entered into by OTTED. The performance measures included with the current contract relate only to the publications and not to any other development or promotion activities which the FEIC may be carrying out on behalf of the state. The contract does require a number of reports from the FEIC relating to the FEIC's activities but does not tie any remuneration to these requirements.

A number of organizations have raised questions about the state's promotional activities relating to its entertainment industry. There is a dispute between local Florida film commissioners and the FEIC over the representation of the industry before the larger film industry located in Los Angeles. OPPAGA has made presentations to the House Committee on Tourism from which committee members raised questions regarding the effectiveness and efficiency of the state's current funding commitments to this program.

Activities by the House Committee on Tourism Relating to the Review of the State's Promotion of the Entertainment Industry

The Chairman of the Tourism Committee made a commitment to review the statutes which authorize OTTED to promote the state's entertainment industry during the 1997 Interim. The Chairman also requested that staff assess the involvement of local governmental entities in this type of activity and assess the level of interaction between entertainment industry groups and the state's designated entertainment industry promotional representative. To this end, committee staff surveyed entertainment industry segments such as large studios and entertainment support businesses for input on the relationship between such groups and government representatives. Staff also interviewed governmental entertainment industry liaisons from other states about the organization of those state entertainment industry liaison offices and the incentives offered by those states. The committee also received public testimony from entertainment industry professionals operating in Florida. HB 3687 developed from this

interim work and originated as a proposed committee bill sponsored by the Committee on Tourism.

B. EFFECT OF PROPOSED CHANGES:

House bill 3687 creates the Florida Entertainment Industry Growth Act. The bill repeals the statutes which provide for the administration of programs to develop the entertainment industry through a contract with a private, not-for-profit corporation or a direct-support organization. The bill directs that these functions are to be administered by a centralized, state level office established within OTTED.

The bill includes definitions to describe various components of the industry and activities related to entertainment industry production. The bill creates the Entertainment Florida Council which will be administratively housed within OTTED. It is created to provide industry direction on promoting the growth of the entertainment industry in the state. The Governor, President of the Senate, and Speaker of the House of Representatives are to make appointments under criteria prescribed within the act. The Council is tasked with developing a 5-year strategic plan to develop, promote, and serve the state's entertainment industry and with overseeing implementation of the plan.

The bill creates the Office of the Entertainment Industry Commissioner within OTTED. The Commissioner is directed to implement the Council's strategic plan, develop a methodology for working with local entertainment industry promotion offices in providing service to the industry, serve as a liaison between government and the entertainment industry and serve as a liaison between the entertainment industry and labor interests. This Commissioner is also authorized to develop and administer the application process for entertainment industry tax exemptions and administer the entertainment industry incentive grant program.

This bill revises the current entertainment industry tax exemptions by providing uniform definitions inclusive of companies licensed by the Federal Communications Commission. It provides for a single application process to be used in administering all of the exemptions. The application process provides a mechanism for obtaining information on the level of production activated in the state and for comparing the state's tax exemption investment to the level of production tax expenditure return on that investment. The bill further revises the exemption on certain items of entertainment industry equipment by allowing the exemption to be taken at the point of sale by qualified production companies instead of by refund. Additionally, the bill provides that qualified production companies may apply for a 30 percent refund on all sales taxes paid for items and services integral to production. This refund is capped at \$100,000 per production. Certain exemptions are to be repealed in the year 2008 pending a legislative review.

Twenty percent (20%) of the proceeds from entertainment industry sales taxes reported to the Department of Revenue are channeled into an existing trust fund established to promote entertainment industry production in the state. The bill creates an entertainment industry incentive grant program which has six categories of grants to be developed and administered by the Office of the Entertainment Industry Commissioner. The trust fund associated with this grant program must reach and maintain a balance of \$1 million in order for the grant program to be initiated.

Finally, the bill creates a one-year task force charged with reporting to the Legislature on recommendations for state and local model permit forms and processes for the entertainment industry.

Unless otherwise provided for in the act, HB 3687 takes effect upon becoming law.

C. APPLICATION OF PRINCIPLES:

1. Less Government:

a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

This bill authorizes the Department of Revenue to promulgate any rules necessary to govern the state's entertainment industry tax exemptions which are revised by the bill. The bill also authorizes OTTED to make any necessary rules related to the travel and expense related authority given to the Office of the Entertainment Industry Commissioner. These rules are subject to the approval of the Florida Comptroller.

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

The bill shifts the administrative responsibilities for promoting and developing the state's entertainment industry from a contract with a private, not-for-profit corporation to a centralized, state-level office. The bill also provides that this office will be responsible for administering the application and approval process for the state's entertainment industry tax exemptions which are revised by the bill.

(3) any entitlement to a government service or benefit?

No.

b. If an agency or program is eliminated or reduced:

(1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

Although the duties of developing and promoting the State's entertainment industry are shifted to a state-level office, since that office is placed within OTTED, the current funding entity for this program has not changed.

- (2) what is the cost of such responsibility at the new level/agency?

This program could be funded at the same level the Legislature has been allocating for contracting for these services.

- (3) how is the new agency accountable to the people governed?

Through performance-based budgeting procedures, general state agency statutory requirements, and specifically required strategic plans and annual reports.

2. Lower Taxes:

- a. Does the bill increase anyone's taxes?

No.

- b. Does the bill require or authorize an increase in any fees?

No.

- c. Does the bill reduce total taxes, both rates and revenues?

Yes. The bill reduces the amount of sales taxes paid by qualified entertainment industry production companies by up to \$100,000 per production through a refund.

- d. Does the bill reduce total fees, both rates and revenues?

No.

- e. Does the bill authorize any fee or tax increase by any local government?

No.

3. Personal Responsibility:

- a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

N/A

- b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

One provision of the bill authorizes an entertainment industry grant program for Florida-based production companies which is funded from sales taxes paid by entertainment industry production companies based both in and outside of Florida.

4. Individual Freedom:

- a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

N/A

- b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

N/A

5. Family Empowerment:

- a. If the bill purports to provide services to families or children:

(1) Who evaluates the family's needs?

N/A

(2) Who makes the decisions?

N/A

(3) Are private alternatives permitted?

N/A

(4) Are families required to participate in a program?

N/A

(5) Are families penalized for not participating in a program?

N/A

- b. Does the bill directly affect the legal rights and obligations between family members?

N/A

- c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

- (1) parents and guardians?

N/A

- (2) service providers?

N/A

- (3) government employees/agencies?

N/A

D. STATUTE(S) AFFECTED:

Amends sections 14.2015, 212.031, 212.06, 212.0602, 212.08, 212.20, 213.053, 288.051, 288.052, 288.053, 288.054, 288.055, 288.056, 288.057, 288.108, 288.1228, 288.12285, and 288.90152, F.S.

Creates sections 288.125-288.1258, F.S.

E. SECTION-BY-SECTION RESEARCH:

Section 1. Creates s. 288.125, F.S., establishing ss. 288.1251-288.1258, F.S., as the Florida Entertainment Industry Growth Act.

Section 2. Creates s. 288.1251, F.S., to provide statutory definitions for terms commonly used in the entertainment industry as a reference for the provisions of this act.

Section 3. Creates s. 288.1252, F.S., to establish a 17 member **Entertainment Florida Council** (council). This section provides criteria and term lengths for membership on the council and directs that the Governor, the President of the Senate, and the Speaker of the House of Representatives each appoint a certain number of members to the council using this criteria.

The council is authorized to serve as an advisory body to the OTTED and the Office of the Entertainment Industry Commissioner on issues relating to promoting and providing service to the State's entertainment industry. The council is also authorized to establish a direct-support organization for the purpose of providing supplemental financial support

to the programs of the Office of the Entertainment Industry Commissioner. This section requires the council to develop and oversee the implementation of a five-year strategic plan to guide the activities of the Office of the Entertainment Industry Commissioner.

Section 4. Renumbers s. 288.12285, F.S., as s. 288.1253, F.S. This section provides donor identity confidentiality for donors to the entertainment industry direct-support organization.

Section 5. Creates s. 288.1254, F.S., establishing the **Office of the Entertainment Industry Commissioner** within OTTED. This section provides a process for selection of an Entertainment Industry Commissioner by OTTED and the council. This section outlines the specific duties to be carried out by the office which include implementing the approved five-year strategic plan developed by the council for entertainment industry development, promotion, liaison services, field office administration, information, and production incentive grant program administration. This section provides direction to the office to develop ways to work with local community entertainment offices. Subsequent authority is given to the office to conduct cooperative advertising and promotion programs with both public and private entities.

Section 6. Creates s. 288.1255, F.S., authorizing the Office of the Entertainment Industry Commissioner, subject to Comptroller's Office and OTTED oversight, to expend funds on travel and entertainment for certain business clients and for certain business-related functions.

Section 7. Creates s. 288.1256, F.S., establishing the **Florida Entertainment Industry Incentive Grant Program**. This section provides that the Office of the Entertainment Industry Commissioner will administer this program and develop grant criteria and award levels. Additionally, the commissioner and the council are required to develop a definition for the term "Florida-based company" for use in implementing this program.

Six grant categories are established to provide development incentive funds for entertainment industry production, student scholarships, and community assistance. Certain grant criteria is specified by this section to provide for the development of Florida-based projects and employment.

Section 8. Renumbers s. 288.055, F.S., as s. 288.1257, F.S., and renames the Film and Television Trust Fund as the Entertainment Industry Incentive Grant Trust Fund. This section also deletes references in s. 288.055, F.S., to the Florida Film and Television Investment Program and Board of Directors to conform to the repeal of this program and the board.

Section 9. Creates s. 288.1258, F.S., to establish the **Application Process for Qualified Entertainment Industry Production Companies**. This section provides that the Office of the Entertainment Industry Commissioner will administer the application process for entertainment industry production companies working in Florida that are seeking sales tax certificates of exemption from the Department of Revenue. This section provides that any entertainment industry production company may apply for such a certificate. This section also provides for renewal, extension and revocation of the certificates.

The Office of the Entertainment Industry Commissioner is directed to work with the Department of Revenue and local entertainment promotion entities to develop an application form for qualifying production companies. Forms may be distributed by both the Office of the Entertainment Industry Commissioner and local entertainment promotion entities. Information gathered on the application forms will provide the office and the Department of Revenue with statistical data on the physical and fiscal level of production in the state and will be treated as taxpayer information under s. 213.053, F.S. The office is directed to forward an approved application to the Department of Revenue which must issue a certificate of exemption to the qualified production company within 5 work days of receiving the application.

This section also provides for two categories of certificates of exemption. The one-year certificate category is created for companies that have been residing in Florida for at least 12 months. A qualified production company that has received a one-year certificate may annually request the Office of the Entertainment Industry Commissioner to renew its application for a period of up to five years without having to submit an entirely new application. Such companies may also provide summary historical data for production related information on budgets, employment, and purchase of tax exempt items instead of having to project figures for such information. The 90-day certificate of exemption category may be applied for by any entertainment industry production company. The Office of the Entertainment Industry Commissioner is authorized to process extensions for this category.

Section 10. Creates the **Florida Entertainment Industry Model Permitting Task Force** and provides for the membership to be comprised of representatives from state agencies, city and county associations, entertainment industries, and entertainment industry associations. The task force must commence by July 1, 1998, and is required to present a report to the Legislature by July 30, 1999, which will recommend formats for model permits to be used by state agencies and local governments in granting temporary permits to entertainment industry productions. The task force is also required to make cost recommendations for the use of state and local government buildings, property and personnel. Finally, the task force is required to make recommendations for developing a timetable for securing state and local environmental permits during the preproduction and production stages of a project.

Section 11. Amends s. 14.2015, F.S., to authorize OTTED to provide administrative oversight to the Office of the Entertainment Industry Commissioner.

Section 12. Amends the definition for a qualified production company under the current tax exemption in s. 212.031(1)(a)9., F.S., for property used as an integral part of entertainment industry productions. The exemption is provided to qualified production companies which have received a certificate of exemption from the Department of Revenue. This section references the definitions provided for the Entertainment Industry Growth Act and other current tax exemptions. This section is effective January 1, 1999.

Section 13. Amends the definition for a qualified production company under the current tax exemption in s. 212.06(1)(b), F.S., relating to dealer collection exemptions for fabrication labor on items used as an integral part of entertainment industry productions. The exemption is provided to qualified production companies which have received a certificate of exemption from the Department of Revenue. This section references the

definitions provided for the entertainment industry growth act and other current tax exemptions. This section is effective January 1, 1999.

Section 14. Amends s. 212.0602, F.S., to conform current references to tax exemptions for certain educational institutions engaged in entertainment industry production education to references created in this bill and to extend additional entertainment industry production tax exemptions to such institutions. This section is effective January 1, 1999.

Section 15. Amends s. 212.08(12), F.S., to provide that the current sales tax exemption for the sale or use of master visual or audio tapes will inure to qualified production companies which have received a certificate of exemption from the Department of Revenue.

This section amends current definitions provided for terms commonly used in the entertainment industry and provides additional, more detailed definitions for use in determining tax exemptions for items used by qualified production companies as an integral part of entertainment industry productions. This section references the definitions provided for the Florida Entertainment Industry Growth Act and is the reference for other current tax exemptions. The definitions provided by this section do not exclude companies licensed by the Federal Communications Commission from seeking the tax exemptions referenced and provided by this bill.

This section also amends the current tax exemption for equipment used as an integral part of entertainment production by narrowing the exemption to entertainment industry equipment that is itemized by type and by changing the exemption from a refund to a point of sale exemption. The exemption is limited to qualified production companies which have received a certificate of exemption from the Department of Revenue. This section then provides a sales tax refund of 30%, up to \$100,000, on specified entertainment industry production activity costs for qualified production companies which have been issued a certificate of exemption by the Department of Revenue. Finally, this section requires an annual report to the Legislature on tax incentive productivity and repeals provisions for the tax exemptions under s. 212.08(12), F.S., subject to legislative review. This section is effective January 1, 1999.

Section 16. Amends s. 212.20(6)(f), F.S., to provide that 20% of the sales taxes paid by qualified production companies as reported to the Department of Revenue will be transferred to the Entertainment Industry Grant Program Trust Fund, and all other proceeds remaining after this deduction, any refunded dollars or revenue share deductions will be deposited in the General Revenue Fund. This section is effective January 1, 1999.

Section 17. Adds paragraph (o) to s. 213.053, F.S., to provide for the sharing of qualified production company taxpayer information in the aggregate between the Department of Revenue and the Office of the Entertainment Industry Commissioner.

Sections 18 - 19. Amends ss. 288.108(6)(e) and 288.90152(7), F.S., to conform references renumbered as a result of provisions added to current statutes by this bill.

Section 20. Repeals s. 212.08(5)(f), F.S., relating to the current sales tax refund for entertainment industry production equipment. This section is effective January 1, 1999.

Section 21. Repeals ss. 288.051, 288.052, 288.053, 288.054, 288.056, 288.057, 288.1228, and 288.12285, F.S., relating to entertainment industry promotion programs.

Section 22. Provides that this act will become effective upon becoming law except for the sales tax provisions which will become effective January 1, 1999.

III. FISCAL RESEARCH & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

NOTE: The following expenditure figures were computed for the positions of a Commissioner, a Development Representative, a Research Assistant, and an Executive Assistant.

<u>Expenditures</u>	<u>1998/99</u>	<u>1999/00</u>
<u>General Revenue</u>		
OCO	\$ 12,910	\$ 0

2. Recurring Effects:

<u>Revenues</u>	<u>1998/99</u>	<u>1999/00</u>
General Revenue - Sales Tax*	(\$3,900,000)	(\$10,200,000)
- Refunds**	(\$ 400,000)	(\$1,100,000)
Solid Waste Management TF	(insignificant)	(insignificant)
Entertainment Industry Grant TF	<u>\$ 1,200,000</u>	<u>\$ 3,100,000</u>
TOTAL REVENUES	(\$3,100,000)	(\$8,200,000)

<u>Expenditures</u>	<u>1998/99</u>	<u>1999/00</u>
<u>General Revenue</u>		
Salaries & Benefits	\$ 134,813	\$ 179,750
Expenses (inc. Council & Task Force travel)	<u>\$ 80,332</u>	<u>\$ 45,426</u>
TOTAL EXPENDITURES***	\$ 215,145	\$ 225,176

* See FISCAL COMMENTS

** See FISCAL COMMENTS

*** See FISCAL COMMENTS

3. Long Run Effects Other Than Normal Growth:

None

4. Total Revenues and Expenditures:

	<u>1998/99</u>	<u>1999/00</u>
General Revenue	(\$4,528,055)	(\$11,525,176)
Entertainment Industry Grant TF	<u>\$1,200,000</u>	<u>\$3,100,000</u>
TOTAL STATE IMPACT	(\$3,328,055)	(\$8,425,176)

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

N/A

2. Recurring Effects:

<u>Revenues</u>	<u>1998/99</u>	<u>1999/00</u>
Local Govt. ½ Cent	(\$ 200,000)	(\$ 600,000)
Local Option Sales Tax	<u>(\$ 160,000)</u>	<u>(\$ 400,000)</u>
TOTAL LOCAL IMPACT	(\$ 360,000)	(\$ 1,000,000)

3. Long Run Effects Other Than Normal Growth:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

None.

2. Direct Private Sector Benefits:

Entertainment industry production companies opting to take advantage of the equipment sales tax exemption revised from a refund to a point of sale exemption by this act would be able to immediately dedicate the dollars saved to their production budgets. Those production companies opting to take advantage of the additional 30% sales tax refund provided by this act could experience at least an additional \$100,000 savings on production costs in Florida.

3. Effects on Competition, Private Enterprise and Employment Markets:

Any cost savings experienced by entertainment industry production companies engaged in production in Florida could encourage the principals of those companies to bring future projects to the state which would have a positive fiscal and employment impact on Florida.

D. FISCAL COMMENTS:

*The Revenue Estimating Conference has estimated that the provisions of this bill will positively impact the growth of entertainment industry activity in Florida and will consequently cause the level of current sales tax exemptions to increase by about 10%.

**The Revenue Estimating Conference also estimated a 20% increase in refund amounts to accommodate the new materials that would be added to the current refund list.

***The Legislature has appropriated approximately \$200,000 in the annual budget for the promotion and development of the State's entertainment industry for the past seven years. These funds have been used to contract for this service.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require the counties or municipalities to spend funds or to take an action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the authority that municipalities or counties have to raise revenue in the aggregate.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill does not reduce the percentage of a state tax shared with counties or municipalities.

V. COMMENTS:

The fiscal impact projected for this bill does not include any additional funds for promotional projects at this time. During preliminary discussions on promotional needs for the state's entertainment industry for FY 1998/99 the results from a survey conducted by the Governor's Office of Tourism, Trade, and Economic Development suggested that an additional \$300,000 be appropriated for this purpose. This amount, however, was not recommended in the Governor's Budget Recommendations for FY 1998/99.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

Representative Goode proposed nine amendments to the bill during the March 17, 1998, meeting of the Committee on Governmental Rules and Regulations. The amendments made minor changes to the bill and passed without objection. The amendments:

No. 1 - Removed rulemaking authority from the council.

Nos. 2, 3, & 4 - removed language that would have authorized the Commissioner's Office to request or solicit complimentary goods or services. This language is in conflict with Part III of Chapter 112, Florida Statutes.

No. 5 - Corrected a statutory reference.

No. 6 - Corrected a statutory reference.

No. 7 - Inserted language relating to a tax exemption.

No. 8 - Revised a publishing date.

No. 9 - Made rulemaking by the Department of Revenue permissive.

On April 21, 1998 the Transportation and Economic Development Appropriations Committee adopted nine amendments. Amendments 1 & 2 - add language to the definitional sections of the bill to clarify that the definitions and the provisions of the act are not intended to apply to companies licensed by the FCC except where those companies are engaged in making entertainment industry production for statewide,

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national, or international distribution. Amendments 3-9 - remove provisions in the bill relating to 30% sales tax refund on production services and the Entertainment Industry Incentive Grant Program.

VII. SIGNATURES:

COMMITTEE ON TOURISM:

Prepared by:

Legislative Research Director:

Susan F. Cutchins

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AS REVISED BY THE COMMITTEE ON GOVERNMENTAL RULES AND REGULATIONS:

Prepared by:

Legislative Research Director:

David M. Greenbaum

David M. Greenbaum

AS FURTHER REVISED BY THE COMMITTEE ON FINANCE AND TAXATION:

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Carol L. Dickson-Carr

Keith G. Baker, Ph.D.

AS FURTHER REVISED BY THE COMMITTEE ON TRANSPORTATION & ECONOMIC DEVELOPMENT APPROPRIATIONS:

Prepared by:

Legislative Research Director:

Allen D. Joseph

Barry G. Brooks