

**STORAGE NAME:** h0579s1.ft  
**DATE:** March 19, 1997

**HOUSE OF REPRESENTATIVES  
COMMITTEE ON  
FINANCE & TAXATION  
BILL ANALYSIS & ECONOMIC IMPACT STATEMENT**

**BILL #:** HB 579

**RELATING TO:** Index Tax/Manufactured Asphalt

**SPONSOR(S):** Committee on Finance & Taxation and Feeney and Others

**STATUTE(S) AFFECTED:** 212.06

**COMPANION BILL(S):** SB 1838

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

(1) FINANCE & TAXATION YEAS 14 NAYS 0

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I. SUMMARY:

This bill removes the index tax that is levied on asphalt used in any state or local public works project.

Currently, a 6 percent tax is imposed upon the cost of materials that become a component part or ingredient of the finished asphalt and upon the cost of transportation of the components or ingredients. Additionally, an index tax, originally set at \$.38 per ton and adjusted on July 1 of each year according to the Consumer Price Index from the U.S. Department of Labor, is administered at a rate of \$.47 per ton.

It is estimated that 70+ percent of asphalt that is produced "for one's own use" in this state is used for federal, state, and local government contracts.

The impact of this bill will reduce the General Revenue fund to the state by (\$3.6) million in FY 1997-98 and (\$4.2) million in FY 1998-99.

II. SUBSTANTIVE ANALYSIS:

A. PRESENT SITUATION:

In 1988, the Legislature passed revisions to section 212.06, based on recommendations for a uniform, statewide tax on a manufacturer's use tax for asphalt. This section levies a 6 percent tax on the cost of materials that become a component part or ingredient of the finished asphalt and upon the cost of transportation of the components or ingredients. Additionally, an index tax, originally set at \$.38 per ton and adjusted on July 1 of each year according to the Consumer Price Index from the U.S. Department of Labor, is levied at a rate of \$.47 per ton.

The index tax was imposed to tax all other costs associated with the manufacturing of asphalt.

It is estimated that an overwhelming majority of asphalt is manufactured for "one's own use", and that 70+ percent of that asphalt is used in federal, state, and local government contracts.

B. EFFECT OF PROPOSED CHANGES:

HB579 would eliminate the index tax currently imposed on the asphalt used in state and local public works projects. The 6 percent tax on the cost of materials that become a component part or ingredient of the finished asphalt and upon the cost of transportation of the components or ingredients would remain in place.

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?

N/A

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

N/A

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

N/A

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?

N/A

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

N/A

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

N/A

2. Lower Taxes:

a. Does the bill increase anyone's taxes?

No, it does not.

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

No, it does not.

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

Yes, the bill reduces the tax rate imposed upon manufacturing asphalt for state and local public works projects, and subsequently reduces the revenues to be collected from this tax.

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

N/A

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

No, it does not.

3. Personal Responsibility:

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

No, it does not.

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

N/A

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. SECTION-BY-SECTION ANALYSIS:

**Section 1.** Amends section 212.06(1)(c). This section removes the index tax from asphalt manufactured used in state and local public works projects.

**Section 2.** Provides an effective date of July 1, 1997.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

None

2. Recurring Effects:

It is estimated that the General Revenue would be reduced by approximately (\$3.6) million for FY 1997-98 and (\$4.2) million in FY 1998-99.

General Revenue	<u>1997-98</u> (\$3.6M)	<u>1998-99</u> (\$4.2M)
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3. Long Run Effects Other Than Normal Growth:

None

4. Total Revenues and Expenditures:

It is estimated that the General Revenue would be reduced by approximately (\$3.6) million for FY 1997-98 and (\$4.2) million for FY 1998-99. It is also assumed that by eliminating the index tax on manufactured asphalt, the cost to the federal, state, and local governments would decline. More than 70 percent of asphalt is manufactured for government projects. Contractors build this tax into the contract so that it is, in essence, paid for by the federal, state, and local governments.

	<u>1997-98</u>	<u>1998-99</u>
General Revenue	(\$3.6M)	(\$4.2M)

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

None.

2. Recurring Effects:

(indeterminate/insignificant)

3. Long Run Effects Other Than Normal Growth:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

This would reduce the amount of tax that manufacturer's of asphalt would have to pay.

2. Direct Private Sector Benefits:

This would reduce the amount of tax that manufacturer's of asphalt would have to pay.

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

It is anticipated that no competitive advantage would be gained or lost upon implementation of this bill.

D. FISCAL COMMENTS:

The end result of this bill, while reducing revenue, will also reduce the cost of public works projects that are taken up by the state and local governments. Contractors usually build this tax into the contract, and by eliminating the index tax from public works projects, the lost revenues may be re-couped through the reduction in public works project costs.

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

A. APPLICABILITY OF THE MANDATES PROVISION:

None.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

None.

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

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

V. COMMENTS:

None.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

The Committee Substitute re-instates the index tax and provides an exemption for manufactured asphalt used in state and local public works projects.

VII. SIGNATURES:

COMMITTEE ON FINANCE & TAXATION:

Prepared by:

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