

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based only on the provisions contained in the legislation as of the latest date listed below.)

BILL: SB 1332

SPONSOR: Senator Horne

SUBJECT: Taxation

DATE: March 30, 2000

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Keating</u>	<u>Wood</u>	<u>FR</u>	<u>Favorable</u>
2.	_____	_____	<u>RC</u>	_____
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____

I. Summary:

The bill creates the State Tax Reform Task Force. The bill provides for the appointment and organization of the task force; specifies duties of the task force; requires reports; and provides for the expiration of this act.

This bill substantially amends, creates, or repeals the following sections of the Florida Statutes:

II. Present Situation:

The 1986 Legislature passed Chapter 86-166, L.O.F., which repealed the sales tax exemption for all services and for 44 non-service exemptions effective July 1, 1987. Section 9 of chapter 86-166, L.O.F., created a commission to review the public policy and fiscal impact of exemptions from the sales tax. The commission was directed to report back to Legislature prior to the 1987 regular session on the exemptions repealed by chapter 86-166, L.O.F., and to include recommendations on retaining or modifying any of these exemptions, or allowing the repeal to remain effective. As a result of the report of the commission, during the 1987 regular session, the Legislature passed chapters 87-6 and 87-101, L.O.F., which integrated the tax on services with the current tax on tangible personal property, providing a number of exemptions from the tax on services and reinstating selected service and non-service exemptions repealed in 1986. In December of 1987, the Legislature repealed the sales tax on services and increased the state sales tax rate from 5 percent to 6 percent.

In December of 1990, the Florida Chamber of Commerce issued their in-depth tax study: "CROSSROADS: Designing Florida's Tax Structure". The Chamber provided examples of how changes in the tax structure could help Florida develop a high-quality tax structure. No changes were made to Florida's tax structure as a result of "CROSSROADS".

In November 1999, the Senate Fiscal Resource Committee published a report entitled "Sales Tax Exemptions: A Tool For Lowering the Sales Tax Rate in Florida". The initiative for the report

was the Fiscal Resources Committee Chairman's and members desire to consider a lower sales tax rate for Florida. The report is a tool to explore possible scenarios of broadening the sales tax base and lowering the sales tax rate. The report is intended to be a product to begin a multi-year analysis of Florida's tax structure.

III. Effect of Proposed Changes:

Senate Bill 1332 creates the State Tax Reform Task Force to examine the state's tax structure and make recommendations to the Governor and the Legislature on how the state's tax structure can be improved to ensure a stable revenue base that is adequate to fund the needs of the state. The Senate Fiscal Resource Committee and the House Finance and Tax Committee will provide administrative staff for the task force. The task force shall consist of the following members, who must be appointed by July 1, 2000:

- Five members to be appointed by the Governor
- Five members to be appointed by the President of the Senate
- Five members to be appointed by the Speaker of the House of Representatives
- The Executive Director of the Department of Revenue or his or her designee

The task force must hold its organizational meeting by August 1, 2000, and thereafter shall meet as necessary at the call of the chair. The members of the task force shall serve without compensation but are entitled to reimbursement for per diem and travel expenses incurred in the performance of their duties as provided for in s. 112.061, F.S.

The task force shall examine the state's tax structure to evaluate whether it is adequate for supporting the continuing needs of the state. The task force shall consider the following in its evaluation:

- a) Standard principles of sound tax policy
 - effectiveness
 - efficiency
 - equity
- b) How other states treat the same or similar tax issues.
- c) Whether the base of the tax system is as broad as possible, so that tax rates and burdens are as low as possible.
- d) Whether tax exemptions are consistent with state tax policy and the economic impact of each exemption.

In addition, the tax force shall provide an analysis of alternative tax sources.

By February 1, 2001, the task force shall submit an interim report and by February 1, 2002, shall submit a final report to the Governor, the President of the Senate, and the Speaker of the House of Representatives.

Authorization for the task force expires June 30, 2002.

The sum of \$100,000 is appropriated from the General Revenue Fund to the Office of Legislative Services for the purpose of paying administrative expenses and funding contracts necessary to carry out the provisions of this act.

The bill takes effect upon becoming a law.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

The bill appropriate \$100,000 from the General Revenue Fund to the Office of Legislative Services for the purpose of paying administrative expenses and funding contracts necessary to carry out the provisions of this act.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.
