

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 1396

SPONSOR: Senator Mitchell

SUBJECT: Sales Tax/Nonprofit Water Systems

DATE: March 15, 2000 REVISED: _____

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

I. Summary:

The bill exempts certain nonprofit water systems from the sales and use tax.

This bill amends section 212.08, Florida Statutes.

II. Present Situation:

The State of Florida levies a 6 percent sales tax on most sales of tangible personal property in the state and on some services. The statutes currently provide more than 200 exemptions from the sales tax. Exemptions generally take the form of identifying specifically exempt items, exempting items when used for particular purposes, and exempting certain types of organizations, such as the government, churches, and charitable organizations. Section 212.08(7), F.S., provides for more than 58 miscellaneous exemptions.

Chapter 99-238, L.O.F., created s. 212.08(7)(aaa), F.S., which provides a specific exemption for sales or leases to Florida corporations that: 1) are incorporated pursuant to ch. 617, F.S.; 2) hold a current exemption from federal income tax pursuant to s. 501(c)(12) of the Internal Revenue Code, as amended; and 3) have as their primary function the construction, maintenance, or operation of a water system in Florida.

There are approximately 100 nonprofit water systems in Florida, providing potable drinking water to our citizens. Almost all of these water systems are exempt from the sales and use tax by virtue of their s. 501(c)(12) of the Internal Revenue Code, as amended, status. However, there are two such water systems that have s. 501(c)(4) of the code exemption and thus do not qualify for the sales and use tax exemption. The two nonprofit water systems are the Island Water Association, Inc., which serves residents of Sanibel, and the Steinhatchee Water Association, Inc., of Steinhatchee.

III. Effect of Proposed Changes:

The bill amends s. 212.08(7)(aaa), F.S., to expand the sales and use tax exemption for nonprofit water systems currently holding exemption from federal income tax under s. 501(c)(12) of the Internal Revenue Code to include nonprofit water systems exempt under s. 501(c)(4) of the code. This amendment will extend the sales and use tax exemption for nonprofit water systems to the Island Water Association, Inc., and the Steinhatchee Water Association, Inc.

The bill will take effect July 1, 2000.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

This bill initially falls under subsection (b) of s. 18 of Art. VII, Florida Constitution. Subsection (b) requires a two-thirds vote of the membership of each house in order to enact a general law reducing the authority that municipalities and counties had on February 1, 1989, to raise revenues in the aggregate. By adding an exemption to the state sales tax, the bill has the effect of adding an exemption to the local option county sales surtax. Since the annual local revenue loss is estimated to be less than \$1.4 million, the bill will be exempt from the requirements of subsection (b) due to the insignificant negative fiscal impact as permitted under subsection (d) of s. 18 of Art. VII, Florida Constitution. (See subsection (d) of s. 18, Art. VII, Florida Constitution, for various types of general laws, including those with insignificant fiscal impact.)

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

The Revenue Estimating Conference estimates that the exemption for s. 501(c)(4) of the Internal Revenue Code corporations which construct, maintain, or operate water systems in Florida will result in a recurring loss to the General Revenue Fund of \$100,000.

Issue/Fund	General Revenue		Trust		Local		Total	
	1st Year \$	Recurring \$	1st Year \$	Recurring \$	1st Year \$	Recurring \$	1st Year \$	Recurring \$
Sales Tax Exemption: Water Systems	(0.1)	(0.1)	(*)	(*)	(*)	(*)	(0.1)	(0.1)

- * Insignificant
- ** Indeterminate

B. Private Sector Impact:

Corporations qualifying for this exemption will benefit from not having to pay sales and use tax on the purchase or lease of tangible personal property.

C. Government Sector Impact:

None.

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.
