

STORAGE NAME: h1427a.bdt

DATE: March 16, 2000

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
BUSINESS DEVELOPMENT & INTERNATIONAL TRADE
ANALYSIS**

BILL #: HB 1427

RELATING TO: Tax Exemption/Flight Training School

SPONSOR(S): Representative Rubio and others

TIED BILL(S):

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

- (1) BUSINESS DEVELOPMENT & INTERNATIONAL TRADE YEAS 9 NAYS 1
 - (2) FINANCE & TAXATION
 - (3) GENERAL GOVERNMENT APPROPRIATIONS
 - (4)
 - (5)
-

I. SUMMARY:

This bill would provide an exemption from the tax on sales, use and other transactions for a facility, school, or business that trains aircraft pilots and flight crews for approval, certification, or regulation by the FAA or a comparable foreign regulatory authority.

The revenue estimating conference projects a fiscal impact of (\$4.3m) in FY 2000-01 and (\$4.6m) in subsequent fiscal years.

The issue of rulemaking is not addressed in the bill.

The bill would become effective July 1, 2000.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|---|-----------------------------|---|
| 1. <u>Less Government</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. <u>Lower Taxes</u> | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| 3. <u>Individual Freedom</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a "no" above, please explain:

B. PRESENT SITUATION:

Chapter 212, Florida Statutes, provides for the taxation on and exemption from taxation for transactions. Generally, it is the policy of the state to tax every person who engages in the business of selling tangible personal property at retail, renting or furnishing things or services, storing for use or consumption, and leasing or renting tangible personal property.

The rate of taxation in Florida is six (6) percent of the sales or use price of each item or article of tangible personal property when sold at retail, computed on each taxable sale or use for the purpose of remitting the amount of tax due the state, and including each and every retail sale.

In addition to the state rate of 6 percent, local governments are authorized to levy one or more of six types of Local Discretionary Sales Surtaxes, ranging from up to 0.5 percent to 1.0 percent each. Section 212.08(7), F.S., establishes a number of miscellaneous sales tax exemptions, including sales and leases to religious, charitable, scientific, educational, and veterans' institutions and organizations.

C. EFFECT OF PROPOSED CHANGES:

This bill would create paragraph (ggg) within subsection (7) of section 212.08, Florida Statutes, providing an exemption from the tax on sales, use, and other transactions for a facility, school, or business that trains aircraft pilots and flight crews [as provided under Part 142 of the Federal Aviation Administration (FAA) regulations] for approval, certification, or regulation by the FAA or a comparable foreign regulatory authority.

D. SECTION-BY-SECTION ANALYSIS:

This section need be completed only in the discretion of the Committee.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

The revenue estimating conference projects a fiscal impact of (\$4.3m) in FY 2000-01 and (\$4.6m) in subsequent fiscal years.

2. Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

The revenue estimating conference projects a fiscal impact of (\$0.7m) in FY 2000-01 and subsequent years.

2. Expenditures:

The bill does not require local governments to expend funds.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Qualifying flight training facilities would not be subject to taxation on the sales and use tax.

D. FISCAL COMMENTS:

None.

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

A. APPLICABILITY OF THE MANDATES PROVISION:

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

B. REDUCTION OF REVENUE RAISING AUTHORITY:

Although the bill will reduce the authority of municipalities and counties to raise revenues, the impact is expected to be insignificant and the bill is therefore exempt from the provisions of Article VII, Section 18(b), Florida Constitution.

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

The fiscal impact is expected to be insignificant and the bill is therefore exempt from the provisions of Article VII, Section 18(b), Florida Constitution.

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

None.

B. RULE-MAKING AUTHORITY:

None.

C. OTHER COMMENTS:

The Department of Revenue (DOR) has raised the following concerns with the bill. First, DOR notes that the language in the bill could be interpreted to exempt all transactions to which a flight training facility is party, whether as a buyer, seller, lessee, or lessor. Exemptions provided for most nonprofit entities and governmental agencies are generally limited to purchases or leases to the agency or entity. Second, DOR notes that the bill does not require that a transaction be in furtherance of flight training activities to be exempt. Other activities in which the training facility is engaged would also be exempt under this bill. According to the department, the bill does not provide guidance on how the training facility is to claim the exemption.

DOR also recommends that the bill should require a facility to be certified under the Federal Aviation Regulation to be eligible for tax exemptions and that the language regarding agencies comparable to the FAA be more specifically limited to comparable agencies of foreign national governments.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

On March 14, 2000, the committee on Business Development and International Trade adopted one strike-everything amendment to HB 1427. Language is included in the exemption specifically stating:

1. Sales and leases to any facility , school or business certified under Part 142 of the Federal Aviation Regulations that trains aircraft pilots and flight crews for approval, certification, or regulation by the Federal Aviation Administration, or a comparable foreign national government regulatory agency are exempt from the tax imposed by chapter 212, Florida Statutes.
2. The exemption applies to only purchases and leases for use in flight training facilities and activities certified under Part 142 of the Federal Aviation Regulations.
3. The effective date of the bill would be January 1, 2001.

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VII. SIGNATURES:

COMMITTEE ON BUSINESS DEVELOPMENT & INTERNATIONAL TRADE:

Prepared by:

Staff Director:

Jill Fike Turman

J. Paul Whitfield, Jr.