

STORAGE NAME: h1933a.ft

DATE: April 24, 2000

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
FINANCE AND TAXATION
ANALYSIS**

BILL #: HB 1933

RELATING TO: Sales Tax/Nonprofit Water Systems

SPONSOR(S): Representative Boyd

TIED BILL(S): None

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

- (1) FINANCE AND TAXATION (FRC) YEAS 15 NAYS 0
 - (2) GENERAL GOVERNMENT APPROPRIATIONS (FRC)
 - (3)
 - (4)
 - (5)
-

I. SUMMARY:

Chapter 99-238, Laws of Florida, created a sales tax exemption for sales and leases to not-for-profit corporations which hold a current exemption from federal income tax under s. 501(c)(12) of the Internal Revenue Code, as amended, if the sole or primary function of the corporation is to construct, maintain, or operate a water system in this state. Under present law not-for-profit corporations which hold a current exemption from federal income tax under s. 501(c)(4) of the Internal Revenue Code would not be entitled to this sales tax exemption.

The bill creates a sales tax exemption for sales and leases to not-for-profit corporations which hold a current exemption from federal income tax under s. 501(c)(4) of the Internal Revenue Code, as amended, if the sole or primary function of the corporation is to construct, maintain, or operate a water system in this state.

The estimated fiscal impact upon General Revenue is (\$0.1) million for FY 00-01 and (\$0.1) million for FY 01-02. There will be a negative, but insignificant impact on the Solid Waste Management Trust Fund and upon local governments. The total estimated fiscal impact for this bill is (\$0.1) million for FY 00-01 and (\$0.1) million for FY 01-02.

On April 24, 2000, the Committee on Finance and Taxation adopted an amendment striking everything after the enacting clause. See Amendments of Committee Substitute Changes for the details.

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 99-238, Laws of Florida, created a sales tax exemption for sales and leases to not-for-profit corporations which hold a current exemption from federal income tax under s. 501(c)(12) of the Internal Revenue Code, as amended, if the sole or primary function of the corporation is to construct, maintain, or operate a water system in this state. Under present law not-for-profit corporations which hold a current exemption from federal income tax under s. 501(c)(4) of the Internal Revenue Code would not be entitled to this sales tax exemption.

Section 501(c)(4) organizations include:

Civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare, or local associations of employees, the membership of which is limited to the employees of a designated person or persons in a particular municipality, and the net earnings of which are devoted exclusively to charitable, educational, or recreational purposes.

Section 501(c)(12) organizations include:

Benevolent life insurance associations of a purely local character, mutual ditch or irrigation companies, mutual or cooperative telephone companies, or like organizations; but only if 85 percent or more of the income consists of amounts collected from members for the sole purpose of meeting losses and expenses.

C. EFFECT OF PROPOSED CHANGES:

The bill creates a sales tax exemption for sales and leases to not-for-profit corporations which hold a current exemption from federal income tax under s. 501(c)(4) of the Internal Revenue Code, as amended, if the sole or primary function of the corporation is to construct, maintain, or operate a water system in this state.

D. SECTION-BY-SECTION ANALYSIS:

N/A

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

	<u>FY 00-01</u>	<u>FY 01-02</u>
General Revenue	(\$0.1M)	(\$0.1M)
Solid Waste Management T.F.	(*)	(*)
Local	(*)	(*)

2. Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

See III.A.1. above.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Certain nonprofit water systems will be exempt from sales tax on purchases and leases.

D. FISCAL COMMENTS:

N/A

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 an 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:

While the bill will reduce the amount of the Local Government Half Cent Sales Tax shared with municipalities and counties, it does not reduce the percentage of a state tax shared with municipalities and counties. Therefore, Article VII, Section 18(b), Florida Constitution does not apply.

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

None.

B. RULE-MAKING AUTHORITY:

None.

C. OTHER COMMENTS:

N/A

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

On April 24, 2000, the Committee on Finance and Taxation adopted an amendment striking everything after the enacting clause. The amendment retains the tax exemption created by the original bill and creates tax exemptions for sales and leases to the following:

- Organizations providing crime prevention, drunk driving prevention, and juvenile delinquency prevention;
- The Florida Fire and Emergency Services Foundation; and,
- State Treater contract organizations which receive funding pursuant to the Cultural Institutions Program authorized under s. 265.2861, F.S., or which received funding from the Department of State as a state theater contract organization prior to October 1, 1999.

The estimated fiscal impact upon General Revenue is (\$0.2) million for FY 00-01 and (\$0.2) million for FY 01-02. There will be a negative, but insignificant impact on the Solid Waste Management Trust Fund and upon local governments. The total estimated fiscal impact for this bill is (\$0.2) million for FY 00-01 and (\$0.2) million for FY 01-02.

VII. SIGNATURES:

COMMITTEE ON FINANCE AND TAXATION:

Prepared by:

Staff Director:

Lynne Overton

Alan Johansen