

STORAGE NAME: h0245s1.ft

DATE: April 21, 2000

**HOUSE OF REPRESENTATIVES
AS FURTHER REVISED BY THE COMMITTEE ON
FINANCE AND TAXATION
ANALYSIS**

BILL #: CS/HB 245

RELATING TO: Sales Tax Exemption/Building Materials

SPONSOR(S): Committee on Community Affairs; Representative Bradley and others

TIED BILL(S): None

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

- (1) BUSINESS DEVELOPMENT & INTERNATIONAL TRADE (EDC) YEAS 8 NAYS 0
 - (2) COMMUNITY AFFAIRS (PRC) YEAS 8 NAYS 1
 - (3) FINANCE AND TAXATION (FRC)
 - (4) TRANSPORTATION & ECONOMIC DEVELOPMENT APPROPRIATIONS (FRC)
 - (5)
-

I.

This bill exempts from sales tax building materials used in the rehabilitation of real property located in a Front Porch Florida Community. Upon affirmative showing to the satisfaction of the Department of Revenue (DOR), the exemption inures to the owner, lessee, or lessor of the rehabilitated property, located in a Front Porch Florida Community in the form of a refund of previously paid taxes. The maximum exemption is \$10,000, or if no less than 20 percent of the employees of a business applying for an exemption are residents of a Front Porch Florida Community, the maximum exemption is \$20,000. The Office of Urban Opportunity with the Office of Tourism, Trade and Economic Development (OTTED) is assigned responsibility for certifying applications for the exemption.

This bill reduces General Revenue Fund receipts by \$0.4 million and the Solid Waste Management Trust fund by a negative, but insignificant amount for FY 2001-02. The bill also reduces the amount of the Local Government Half Cent Sales Tax shared with municipalities and counties, and reduces revenues collected by local governments under local option sales taxes by an insignificant amount in FY 2001-02.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|---|--|---|
| 1. <u>Less Government</u> | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> | N/A <input 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:

Less Government: The bill places additional responsibilities on DOR and the Office of Urban Opportunity within OTTED.

B. PRESENT SITUATION:

Sales and Use Tax

Chapter 212, F.S., provides for the tax on sales, use and other transactions. Section 212.05, F.S., provides that every person who engages in the business of selling tangible personal property at retail in this state, including the business of making mail order sales, or who rents or furnishes any of the items or services taxable under Chapter 212, F.S., or who stores for use or consumption any item or article of tangible personal property and who leases or rents such property is exercising a taxable privilege. Section 212.05(1)(a)1.a., F.S., provides for a six percent tax rate on the retail price of each item or article of tangible personal property when sold at retail in this state. Section 212.05(1)(b), F.S., provides for a six percent tax on the cost price of any item of tangible personal property that is not sold but is used in the state. Additionally, local governments are authorized to levy one or more of six types of Local Discretionary Sales Surtaxes, ranging from 0.5 percent to 1.0 percent each.

Enterprise Zone Building Materials Sales Tax Exemption

Section 212.08(5)(g), F.S., exempts from sales tax those building materials used in the rehabilitation of real property located in an enterprise zone. Upon affirmative showing to the satisfaction of the DOR, the exemption inures to the owner, lessee, or lessor of the rehabilitated property, located in an enterprise zone in the form of a refund of previously paid taxes. The maximum exemption is \$5,000, or if no less than 20 percent of the employees of a business applying for an exemption are residents of an enterprise zone, the maximum exemption is \$10,000.

Front Porch Florida Initiative

Section 14.2015(9), F.S., creates the Office of Urban Opportunity within OTTED within the Executive Office of the Governor. The stated purpose of the Office is to administer the Front Porch Florida initiative, "a comprehensive, community-based urban core

redevelopment program that will empower urban core residents to craft solutions to the unique challenges of each designated community.

Other statutory references to Front Porch Florida Communities include the following:

- The Certified Capital Company Act (s. 288.99, F.S.), includes Front Porch Florida Communities as eligible investment areas.
- The Urban Homesteading Act (s. 420.632, F.S.), specifies that the urban homesteading program is intended to be one component of a comprehensive urban-core redevelopment initiative known as Front Porch Florida.
- Under Community Health Pilot Projects (s. 381.103, F.S.), the Department of Health is authorized to facilitate cooperation between affected communities, appropriate agencies, and ongoing initiatives, such as Front Porch Florida.
- The Urban Infill and Redevelopment Assistance Grant Program (s. 163.2523, F.S.), provides in part that projects within urban infill and redevelopment areas that include a Front Porch Florida Community must be given an elevated priority in scoring of competing grant applications. The Urban Infill and Redevelopment Act (s. 163.2517, F.S.), provides that a plan associated with a Front Porch Florida Community may be used in lieu of preparing a new plan.

On October 8, 1999, Governor Bush designated the first six Front Porch Florida Neighborhoods. The Governor's Front Porch Florida Initiative calls for 20 such designations.

C. EFFECT OF PROPOSED CHANGES:

This bill reduces the cost of real property improvements in Front Porch Florida Communities. Similar to the current exemption from sales tax provided for building materials used in an enterprise zone, this bill exempts from sales tax building materials used in the rehabilitation of real property located in a Front Porch Florida Community. Upon affirmative showing to the satisfaction of the DOR, the exemption inures to the owner, lessee, or lessor of the rehabilitated property, located in a Front Porch Florida Community in the form of a refund of previously paid taxes. The maximum exemption is \$10,000, or if no less than 20 percent of the employees of a business applying for an exemption are residents of a Front Porch Florida Community, the maximum exemption is \$20,000.

D. SECTION-BY-SECTION ANALYSIS:

Section 1. A new paragraph (n) is added to subsection (5) of section 212.08, F.S., to create an exemption from sales tax.

The section exempts from sales tax building materials used in the rehabilitation of real property located in a Front Porch Florida Community. Upon affirmative showing to the satisfaction of the DOR, the exemption inures to the owner, lessee, or lessor of the rehabilitated property, located in a Front Porch Florida Community in the form of a refund of previously paid taxes. The maximum exemption is \$10,000, or if no less than 20 percent of the employees of a business applying for an exemption are residents of a Front Porch Florida Community, the maximum exemption is \$20,000. The section provides for applications for a refund under this section to be submitted to the Office of Urban Opportunity, and specifies required information to be included in the application. The

Office of Urban Opportunity is required to review applications to determine compliance with requirements and is directed to certify compliance and forward a copy to DOR.

DOR is directed to establish, by rule, an application form and criteria for establishing eligibility for the exemption.

Section 2. An effective date of July 1, 2000, is provided.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

	<u>FY 2000-01</u>	<u>FY 2001-02</u>
General Revenue Fund	0	0.4
Solid Waste Management TF		

2. Expenditures:

Administrative TF		
One FTE Salary and other expenses	Insignificant	Insignificant

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

The bill reduces the amount of the Local Government Half Cent Sales Tax shared with municipalities and counties, and reduces revenues collected by local governments under local option sales taxes by an insignificant amount.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The exemption created by this bill will reduce the cost of real property improvements in Front Porch Florida Communities.

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 an action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill will reduce the authority of municipalities and counties to raise revenues. It is not known if the amount will be significant.

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:

This bill may constitute an unlawful delegation of legislative authority to the Governor.

B. RULE-MAKING AUTHORITY:

The bill directs DOR to establish, by rule, an application form and criteria for establishing eligibility for the exemption.

C. OTHER COMMENTS:

N/A

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

CS/HB 245 is substantially different from HB 245. HB 245 exempts from sales tax materials and labor used in the construction of a single-family home having an assessed value of \$60,000 or more, but less than \$120,000, and which is located in an enterprise zone, empowerment zone, or Front Porch Florida Community. The exemption is granted to the owner of the home as a refund of taxes previously paid on materials and labor used in the construction of the home. As noted in the analysis of HB 245, building materials are already exempted up to specified limits in enterprise zones, which includes empowerment zones.

CS/HB 245 replaces the content of HB 245 with new language exempting the sale of building materials used in the rehabilitation of real property located in a Front Porch Florida Community. The exemption includes business materials used in residential and commercial construction. The sales tax exemption is similar to that provided for enterprise zones, but the maximum exemptions are increased. The maximum exemption is \$10,000, or if no less than 20 percent of the employees of a business applying for an exemption are residents of a Front Porch Florida Community, the maximum exemption is \$20,000.

VII. SIGNATURES:

COMMITTEE ON BUSINESS DEVELOPMENT & INTERNATIONAL TRADE:

Prepared by:

Staff Director:

Jill E. Turman

J. Paul Whitfield, Jr.

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