

STORAGE NAME: h0587.bdt

DATE: January 18, 2000

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

BILL #: HB 587

RELATING TO: Sales Tax Exemptions

SPONSOR(S): Representative Fasano

TIED BILL(S):

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

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

I. SUMMARY:

This bill includes specialty chemicals and bioaugmentation products within the sales tax exemption for equipment and machinery used for pollution control in connection with the manufacture of items of tangible personal property for sale.

It provides that machinery and equipment used by an expanding facility engaged in spaceport activities or by certain expanding manufacturing facilities are totally exempt from sales tax in any year in which the tax liability thereon exceeds \$25,000. Present law exempts such machinery and equipment from taxes in excess of \$50,000 per year.

The bill has an effective date of July 1, 2000.

The bill does not address the issue of rulemaking.

The Revenue Estimating Conference has not yet addressed this bill.

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 tax on sales, use and other transactions. Subsection (1) of section 212.051, F.S., provides that sales, use, or privilege taxes are not to be collected for any facility, device, fixture, equipment or machinery used primarily for the control or abatement of pollution or contaminants in manufacturing for sale items of tangible personal property at a fixed location. To qualify, the facility, device, fixture, equipment or structure must be installed and constructed in such a manner to meet the requirements set forth by the Department of Environmental Protection. The exemption will not be allowed unless the purchaser signs a certificate which states that the item to be exempted complies with the law.

Section 212.08, F.S., specifically exempts certain items from the tax imposed by the chapter. Paragraph (b) of subsection (5) of this chapter exempts industrial machinery and equipment purchased for the use by a new business involved in spaceport activities or the production of for sale items of tangible personal property at fixed locations. Purchases of tax free items must be made prior to the date the business first begins operations. Equipment purchased for use in the aforementioned areas are exempt from any amount of tax imposed by this chapter in excess of \$50,000 per year. The exemption is subject to proof by the taxpayer that the items are used to increase the productive output of such a business by not less than 10 percent. To receive an exemption, a business must apply for a temporary tax exemption permit. Once the tax permit is approved, it must be supported by all necessary records. Upon completion of the purchasing of machinery and equipment, the permit must be returned to the department. If it is determined that the machinery and equipment did not meet the criteria set forth in this section, the amount of taxes exempted at the time of purchase, as well as any accrued interest will be due. A refund through previously paid taxes will be made for those businesses that fail to apply for a temporary exemption permit.

C. EFFECT OF PROPOSED CHANGES:

This bill would amend subsection (1) of section 212.051, F.S. to include specialty chemical and bioaugmentation products used in pollution control or abatement as exempt from taxation.

Sub-subparagraph 2.a. of paragraph (b) of subsection (5) of section 212.08, F.S., would be amended to exempt industrial machinery and equipment purchased for use in spaceport activities from the tax imposed by this chapter in any calendar year in which the taxpayer is liable for more than \$25,000 in tax. The bill would create sub-subparagraph 3.e. within this subsection to provide the stipulation that once a business has paid \$25,000 in taxes in a calendar year and has met all other requirements, including commencement of production, that business would be eligible for the total exemption provided by that sub-subparagraph through a refund of previously paid taxes.

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:

N/A

2. Expenditures:

The Department of Revenue indicates that its workload would increase due to refunds related to reducing the exemption from \$50,000 to \$25,000. The following fiscal analysis was provided by the department.

	<u>2000-2001</u>	<u>2001-2002</u>
Nonrecurring		
Operating Capital Outlay	<u>(\$6,000)</u>	
Expenses	(7,683)	
Recurring		
FTE	3	3
Salaries	<u>(\$126,964)</u>	<u>(\$126,964)</u>
Expenses	<u>(20,223)</u>	<u>(20,223)</u>
	<u>(\$160,870)</u>	<u>(\$147,187)</u>
Total		
General Revenue	<u>(\$71,126)</u>	<u>(\$65,077)</u>
Administrative Trust Fund	<u>(89,744)</u>	<u>(82,110)</u>
	<u>(\$160,870)</u>	<u>(\$147,187)</u>

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

N/A

2. Expenditures:

N/A

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

N/A

D. FISCAL COMMENTS:

According to Spaceport Florida Authority, the potential increase in taxes would be greater than the loss.

The Revenue Estimating Conference has not yet addressed this bill.

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

A. APPLICABILITY OF THE MANDATES PROVISION:

N/A

B. REDUCTION OF REVENUE RAISING AUTHORITY:

N/A

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

N/A

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

N/A

B. RULE-MAKING AUTHORITY:

N/A

C. OTHER COMMENTS:

N/A

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

N/A

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VII. SIGNATURES:

COMMITTEE ON BUSINESS DEVELOPMENT & INTERNATIONAL TRADE:

Prepared by:

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