

STORAGE NAME: h0775.bdt

DATE: March 12, 2000

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

BILL #: HB 775

RELATING TO: Sales Tax/Space Flight Business

SPONSOR(S): Representative Goode and others

TIED BILL(S):

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

- (1) BUSINESS DEVELOPMENT & INTERNATIONAL TRADE
 - (2) COMMUNITY AFFAIRS
 - (3) FINANCE & TAXATION
 - (4) TRANSPORTATION & ECONOMIC DEVELOPMENT APPROPRIATIONS
 - (5)
-

I. SUMMARY:

This bill would provide an exemption from the tax on the lease or rental of or license in real property for property used predominantly for space flight business purposes.

The bill defines "space flight " to mean the manufacturing, processing, or assembly of a space flight facility, space propulsion system, space vehicle, satellite, or station of any kind possessing the capacity for space flight. The definition also includes vehicle launch activities, flight operations, ground control or ground support, and all directly related administrative activities. Property used or occupied predominantly for space flight business purposes means more than 50 percent of the property is used for one or more space flight business purposes.

The bill provides that a signed written statement from the tenant or licensee claiming the exemption relieves the landlord or licensor of the responsibility of collecting the tax otherwise due.

The bill would take effect July 1, 2000.

The issue of rulemaking is not addressed.

The revenue estimating conference reported a fiscal impact of (\$.5m) for FY 2000-01 and each fiscal year thereafter. The estimate for local tax impact is (\$.1m) for FY 2000-01 and each subsequent fiscal year.

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:

Section 212.031, Florida Statutes, provides for the taxation on lease or rental of or license in real property at a rate of 6 percent. Examples of exemptions to the tax herein imposed include: property assessed as agricultural; property used exclusively as dwelling units; and a public street or roadway which is used for transportation purposes.

In a memorandum from the Spaceport Florida Authority, it is reported that the majority of Florida's current space business activities occur in facilities owned by the company or assigned to their use by government, therefore not subject to the tax imposed by s. 212.031, F.S. However, as Florida's space business grows and becomes more commercialized, the new patterns of ownership will include a greater share of non-launch components including research and technology development, manufacturing, and end user services. Furthermore, the Spaceport Florida Authority reports that no other state imposes such a tax.

The new activities coinciding with the growing space business in Florida is expected to be performed by smaller start-up and entrepreneurial operations.

C. EFFECT OF PROPOSED CHANGES:

An exemption from the tax on the lease or rental of or license in real property for property used predominantly for space flight business purposes would be provided in s. 212.031, F.S.

The bill defines "space flight" to mean the manufacturing, processing, or assembly of a space flight facility, space propulsion system, space vehicle, satellite, or station of any kind possessing the capacity for space flight. The definition also includes vehicle launch activities, flight operations, ground control or ground support, and all directly related administrative activities. Property used or occupied predominantly for space flight business purposes means that more than 50 percent of the property is used for one or more space flight business purposes.

STORAGE NAME: h0775.bdt

DATE: March 12, 2000

PAGE 3

The bill provides that a signed written statement from the tenant or licensee claiming the exemption relieves the landlord or licensor of the responsibility of collecting the tax otherwise due.

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

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 reported a fiscal impact of (\$.5m) for FY 2000-01 and each fiscal year thereafter.

2. Expenditures:

N/A

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

The revenue estimating conference reported a local government fiscal impact of (\$.1m) per fiscal year.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Businesses that lease or rent property for use in "predominantly" space flight activities would not be liable for the 6 percent tax otherwise imposed on such lease or rental.

D. FISCAL COMMENTS:

None.

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

STORAGE NAME: h0775.bdt

DATE: March 12, 2000

PAGE 4

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:

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:

None.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

N/A

VII. SIGNATURES:

COMMITTEE ON BUSINESS DEVELOPMENT & INTERNATIONAL TRADE:

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