

STORAGE NAME: h0775.ca

DATE: March 17, 2000

**HOUSE OF REPRESENTATIVES
AS REVISED BY THE COMMITTEE ON
COMMUNITY AFFAIRS
ANALYSIS**

BILL #: HB 775

RELATING TO: Sales Tax/Space Flight Business

SPONSOR(S): Representative Goode 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)
 - (3) FINANCE & TAXATION (FRC)
 - (4) TRANSPORTATION & ECONOMIC DEVELOPMENT APPROPRIATIONS (FRC)
 - (5)
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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 or occupied 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 Revenue Estimating Conference reported a negative fiscal impact on General Revenue 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:

Sales Tax on Lease or Rental of or License in Real Property

Section 212.031(1)(a), F.S., states that every person is exercising a taxable privilege who engages in the renting, leasing, letting, or granting of a licence for the use of any real property. There are several exemptions to the tax imposed on this privilege based on the type or use of the property. Section 212.031(1)(c), F.S., imposes a tax rate of 6 percent of and on the total rent or license fee charged for such real property by the person charging or collecting the rental or license fee. Examples of exemptions to the tax include: property assessed as agricultural; property used exclusively as dwelling units; and a public street or roadway which is used for transportation purposes.

Local Option Sales Taxes

Section 212.055, F.S., authorizes local governments to levy numerous types of local discretionary sales surtaxes. These include:

- (1) The Charter County Transit System Surtax [s. 212.055(1), F.S.];
- (2) The Local Government Infrastructure Surtax [s. 212.055(2), F.S.];
- (3) The Small County Surtax [s. 212.055(3), F.S.];
- (4) The Indigent Care Surtax [s. 212.055(4), F.S.];
- (5) The County Public Hospital Surtax [s. 212.055(5)]; and
- (6) The School Capital Outlay Surtax [s. 212.055(6), F.S.].

Pursuant to section 212.054, F.S., the local discretionary sales surtaxes apply to all transactions subject to the state tax imposed on sales, use, services, rentals, admissions, and other authorized transactions. The surtax is computed by multiplying the rate imposed by the county where the sale occurs by the amount of taxable sale. The sales amount is not subject to the surtax if the property or service is delivered within a county that does not impose a surtax. In addition, the tax is not subject to any sales amount above \$5,000 on any item of tangible personal property and on long distance telephone service. The \$5,000

cap does not apply to the sale of any other service. 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.

Spaceport Florida Authority

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 is provided.

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.

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.

D. SECTION-BY-SECTION ANALYSIS:

Section 1. Paragraph (a) of subsection (1) of s. 212.031, F.S., is amended to provide an exemption from the tax on the lease or rental of or license in real property for property used or occupied predominantly for space flight business purposes. The section defines "space flight and provides that 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. The section also 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.

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:

The revenue estimating conference reported a negative fiscal impact on General Revenue of (\$.5m) for FY 2000-01 and each fiscal year thereafter.

2. Expenditures:

This bill does not affect state expenditures.

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:

This bill does not affect local government expenditures.

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 use tax or local option sales taxes otherwise imposed on such lease or rental.

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:

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.

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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(c), Florida Constitution does not apply.

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

N/A

B. RULE-MAKING AUTHORITY:

N/A

C. OTHER COMMENTS:

N/A

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

None

VII. SIGNATURES:

COMMITTEE ON BUSINESS DEVELOPMENT & INTERNATIONAL TRADE:

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