

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based only on the provisions contained in the legislation as of the latest date listed below.)

BILL: SB 874

SPONSOR: Senator Bronson and Others

SUBJECT: Tax on Sales, Use and Other Transactions

DATE: March 22, 2000

REVISED: 04/25/00 _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Keating</u>	<u>Wood</u>	<u>FR</u>	<u>Fav/2 amendments</u>
2.	_____	_____	<u>CM</u>	_____
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
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 or occupied predominantly for space flight business purposes.

This bill substantially amends, creates, or repeals the following sections of the Florida Statutes: 212.031

II. Present Situation:

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. The tax rate is 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. There are several exemptions to the tax imposed on this privilege based on the type or use of the property. Property used for the following are exempt:

- 1) assessed as agricultural property under s. 193.461, F.S.
- 2) used exclusively as dwelling units.
- 3) property subject to tax on parking, docking, or storage spaces under s. 212.03(6), F.S.
- 4) recreational property or the common elements of a condominium under certain conditions.
- 5) public or private street or right of way occupied or used by a utility for utility purposes.
- 6) a public street or road used for transportation purposes.
- 7) airport property used for aircraft taxiing and landing, loading or unloading of passengers or property, or fueling aircraft.
- 8) property used at a port authority, as defined in s. 315.02(2), F.S., exclusively for the purposes of oceangoing vessels or tugs docking, loading or unloading passengers or cargo, fueling, or to the extent that charges for the use of such property are based upon the tonnage actually imported or exported.

- 9) property used as an integral part of any activity or service performed directly in connection with the production of a qualified motion picture, as defined in s. 212.06(1)(b).
- 10) property used to provide food and drink concessionaire services within a movie theater, publicly owned arena, sports stadium, convention or exhibition hall, auditorium or recreational facility or any business operated under a permit issued under chapter 550, F.S.
- 11) any property occupied pursuant to an instrument calling for payments which the Department of Revenue has declared in a Technical Assistance Advisement issued on or before March 15, 1993, to be nontaxable pursuant to rule 12A-1.070(19)(c) of the Florida Administrative Code.

In addition to the state rate of 6 percent, local governments are authorized to levy one or more of six types of Local Discretionary Sales Surtaxes, ranging from up to 0.5 percent to 1.0 percent each, for a maximum rate of 1.5 percent.

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.

III. Effect of Proposed Changes:

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 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.

The bill shall take effect July 1, 2000, is provided.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

This bill initially falls under subsection (b) of section 18 of Article VII, Florida Constitution. Subsection (b) requires a two-thirds vote of the membership of each house in order to enact a general law reducing the authority that municipalities and counties had on February 1, 1989 to raise revenues in the aggregate. By adding an exemption to the state sales tax, the bill has the effect of adding an exemption to the local option county sales surtax. Since the annual local revenue loss is estimated to be less than \$1.4 million, the bill will be exempt from the requirements of subsection (b) due to the insignificant negative fiscal impact as permitted under subsection (d) of section 18 of Article VII. (See subsection (d) of s. 18, Art. VII, Florida Constitution, for various types of general laws, including those with insignificant fiscal impact.)

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

The Revenue Estimating Conference estimates that the 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 would result in a recurring General Revenue loss of \$500,000, with a recurring loss to local governments of \$100,000.

Issue/Fund	General Revenue		Trust		Local		Total	
	1st Year \$	Recurring \$	1st Year \$	Recurring \$	1st Year \$	Recurring \$	1st Year \$	Recurring \$
Space Flight Exemption	(0.5)	(0.5)	(*)	(*)	(0.1)	(0.1)	(0.6)	(0.6)

* Insignificant
 ** Indeterminate

B. Private Sector Impact:

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.

C. Government Sector Impact:

The Department of Revenue will have to incur the cost of issuing a Taxpayer Information Publication (TIP) to be sent to specific registered businesses that would be impacted by this bill.

VI. Technical Deficiencies:

None.

VII. Related Issues:

HB 775 is similar to SB 874.

VIII. Amendments:

#1 by Fiscal Resource:

(WITH TITLE AMENDMENT)

Amends s. 125.0104(3)(1), F.S., authorizing counties that have elected to levy the 4th tourist development tax for the purpose of paying debt service on bonds issued to finance the construction, reconstruction or renovation of a convention center pursuant to s. 125.0104(3)(1), to use the proceeds from the tax to pay the operation and maintenance costs of the convention center for the life of the bonds.

#2 by Fiscal Resource:

(WITH TITLE AMENDMENT)

Amends s. 212.084(6)(a), F.S., authorizing the DOR to issue temporary exemption certificates to organizations applying for exemption as a “church, synagogue, or other established physical place for worship...” when the applicant does not currently have its own established physical place for worship, if such “church or synagogue” has entered into a contract to build a physical place for worship on its real property