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**DATE:** March 20, 2001

**HOUSE OF REPRESENTATIVES  
AS REVISED BY THE COMMITTEE ON  
FISCAL POLICY & RESOURCES  
ANALYSIS**

**BILL #:** CS/HB 527

**RELATING TO:** Sales Tax Exemption on Spaceport and Manufacturing Activities

**SPONSOR(S):** Committee on Fiscal Policy & Resources and Representative Wallace

**TIED BILL(S):**

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

- (1) ECONOMIC DEVELOPMENT AND INTERNATIONAL TRADE YEAS 10 NAYS 0
  - (2) FISCAL POLICY & RESOURCES YEAS 11 NAYS 0
  - (3) FISCAL RESPONSIBILITY COUNCIL
  - (4)
  - (5)
- 

I. SUMMARY:

This bill amends s. 212.08(5)(b)2.a., F.S., to provide a full, rather than partial, sales tax exemption for industrial machinery and equipment purchased for exclusive use in expanding spaceport or manufacturing activities where the business can show that the purchase of such equipment will increase productive output by ten percent.. The bill removes the \$50,000 annual threshold previously required to claim the exemption.

The Revenue Estimating Conference estimated that the recurring impact to the State in FY 2001-2002 is (\$15.6 M) and the recurring impact for FY 2002-2003 is (\$16.0 M). Local government is estimated to incur a recurring impact in FY 2001-2002 of (\$3.1 M) and in FY 2002-2003 of (\$3.3 M).

The Act takes effect July 1, 2001.

**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, F.S., provides for a six percent tax on sales, use and other transactions. Section 212.08(5), F.S., provides exemptions from the tax imposed by the chapter based on use. Specifically, Section 212.08(5)(b)1., F.S., provides a full sales tax exemption on industrial machinery and equipment purchased for exclusive use by a new business in spaceport activities or for use in new businesses which manufacture, process, compound, or produce items of tangible personal property for sale at fixed locations are exempt from the tax on sales, use and other transactions imposed by this chapter. Section 212.02(22), F.S., defines "spaceport activities" as activities directed or sponsored by the Spaceport Florida Authority on spaceport territory pursuant to its powers and responsibilities under the Spaceport Florida Authority Act.

Section 212.08(5)(b)2.a., F.S., provides a partial sales tax exemption on industrial machinery and equipment purchased for exclusive use by an expanding facility engaged in spaceport activities or for use in expanding manufacturing facilities or plant units. The exemption applies after the first \$50,000 in sales tax has been paid and after the business has demonstrated that the industrial machinery and equipment purchased are used to increase productive output by at least 10 percent. "Productive output" means the number of units actually produced by a single plant or operation in a single, continuous 12-month period, irrespective of sales.

To receive an exemption, a business must apply to the Department of Revenue for a temporary tax exemption permit. Upon completion of the purchasing of machinery and equipment, the business must return the temporary tax exemption permit to the department. If the department determines that the machinery and equipment did not meet the criteria, 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 to those businesses that fail to apply for a temporary exemption permit.

C. EFFECT OF PROPOSED CHANGES:

The bill amends s. 212.08(5)(b)2.a., F.S., to provide a full, rather than partial, sales tax exemption on industrial machinery and equipment used in expanding or existing spaceport and manufacturing facilities. However, the taxpayer must continue to make an affirmative showing to the department that the purchased items will increase the productive output by two percent.

D. SECTION-BY-SECTION ANALYSIS:

**Section 1.** Amends s. 212.08(5)(b)2.a., F.S., by removing the requirement that a taxpayer pay the first \$50,000 in sales tax each year before an exemption takes effect.

**Section 2.** Provides a July 1, 2001, effective date.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

The Revenue Estimating Conference estimated that State will incur a recurring impact in FY 2001-2002 is (\$15.6 M) and a recurring impact for FY 2002-2003 is (\$16.0 M).

2. Expenditures:

N/A

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

Local governments will incur an impact of (\$3.1 M) in FY 2001-2002 and (\$3.3 M) in FY 2002-2003.

2. Expenditures:

N/A

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

N/A

D. FISCAL COMMENTS:

The fiscal impact is based on the provisions of the bill now found in the committee substitute.

III. 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:

The bill does not reduce the authority that counties or municipalities have to raise revenues in the aggregate.

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

The bill does not reduce the percentage of a state tax shared with counties or municipalities.

IV. COMMENTS:

A. CONSTITUTIONAL ISSUES:

None.

B. RULE-MAKING AUTHORITY:

N/A

C. OTHER COMMENTS:

None.

V. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

At its March 20, 2001, committee meeting, the Committee on Fiscal Policy & Resources adopted an amendment that significantly revised the bill. The committee then adopted a committee substitute and its effect is described above. Major changes to the bill include:

- the reinstating of the requirement that it be an expanding spaceport or manufacturer applying for the exemption;
- reinstating the requirement that the applying business show an increase of ten percent in productive output; and
- removal from the bill of the deletion of those provisions relating to the application of the exemption to equipment purchased by mining operations.

VI. SIGNATURES:

COMMITTEE ON ECONOMIC DEVELOPMENT AND INTERNATIONAL TRADE:

Prepared by:

Staff Director:

Lisa Munroe

J. Paul Whitfield, Jr.

AS REVISED BY THE COMMITTEE ON FISCAL POLICY & RESOURCES:

Prepared by:

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David M. Greenbaum

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