

STORAGE NAME: h0121.ag.doc
DATE: January 10, 2002

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
AGRICULTURE AND CONSUMER AFFAIRS (CCC)
ANALYSIS**

BILL #: HB 121
RELATING TO: Corporate Income Tax
SPONSOR(S): Representative Bennett
TIED BILL(S): None

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

- (1) AGRICULTURE AND CONSUMER AFFAIRS (CCC)
- (2) FISCAL POLICY & RESOURCES (FRC)
- (3) FISCAL RESPONSIBILITY COUNCIL
- (4)
- (5)

I. SUMMARY:

HB 121 applies the "ultimate" destination test for purposes of apportionment for citrus juice shipped out of the state through the ports. This means that regardless of the method of shipment, if the ultimate destination of the product being shipped is to a destination out of the state, the sale shall not be deemed to occur in this state.

HB 121 has been submitted, but not yet analyzed by the Revenue Impact Conference, therefore the fiscal impact of this legislation is not known at this time. This bill has an effective date of upon becoming law and shall apply to tax years beginning on or after January 1, 2002.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|---|-----------------------------|---|
| 1. <u>Less Government</u> | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input 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 checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input 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:

Currently, the Florida Department of Revenue treats delivery of goods to a port in Florida for ultimate shipping to another state or country as a "sale" within the state for purposes of apportioning sales to the state. This application arises from a case entitled Department of Revenue v. Parker Banana, 391 So. 2d 762 (Fla. 2d DCA 1980). As a result of this case, each time a citrus product is delivered to a port, even though its final and ultimate destination is a foreign nation or another state, the value of the product must be included in the income tax formula as a double-weighted Florida sale.

Florida companies shipping citrus products out of state are at a disadvantage when competing with Texas and California, which use the "ultimate" destination test for purposes of apportionment.

C. EFFECT OF PROPOSED CHANGES:

HB 121 stipulates that for citrus products shipped to destinations outside the state, regardless of the method of shipment, the sale shall not be deemed to occur in this state.

D. SECTION-BY-SECTION ANALYSIS:

Section 1: Amending s. 220.15, F.S., revising conditions for determining when sales of tangible personal property occur in this state for industries in SIC Industry Number 2037. (SIC Industry Number 2037 consists of frozen fruit, fruit juices and vegetables.)

Section 2: Providing an effective date of upon becoming law and applying to tax years beginning on or after January 1, 2002.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

See Section D. (Fiscal Comments)

2. Expenditures:

See Section D. (Fiscal Comments)

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

See Section D. (Fiscal Comments)

2. Expenditures:

See Section D. (Fiscal Comments)

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

See Section D. (Fiscal Comments)

D. FISCAL COMMENTS:

HB 121 has been submitted, but not yet analyzed by the Revenue Impact Conference.

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 action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

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

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

This bill does not reduce any state tax shared with counties or municipalities.

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

N/A

B. RULE-MAKING AUTHORITY:

N/A

C. OTHER COMMENTS:

N/A

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VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

N/A

VII. SIGNATURES:

COMMITTEE ON AGRICULTURE AND CONSUMER AFFAIRS (CCC):

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