

HOUSE MESSAGE SUMMARY

[s0426.hms.doc]

BILL: CS/SB 426
SPONSOR: Campbell
SUBJECT: Tax Administration
PREPARED BY: Senate Committee on Finance and Taxation
DATE: March 18, 2002

I. Amendments Contained in Message:

House Amendment 1 – 042761 (body with title)

II. Summary of Amendments Contained in Message:

House Amendment 1 amends onto CS/SB 426, the provisions of CS/SB 2302 it will be amended on the Senate Floor. (9 conforming amendments to CS/SB 2302 filed)

CS/SB 426 includes recommendations of the State Tax Reform Task Force and the Tax Section of the Florida Bar and its provisions are intended to improve fairness to taxpayers, make it easier for taxpayers to comply with Florida tax laws, and to reduce unnecessary filings. It also includes a change in the apportionment of adjusted federal income for certain industries, extension of the certified audit program, and a revision in the qualifications for students receiving scholarships from scholarship-funding organizations. In addition CS/SB 426 does the following:

- It eliminates the requirement for certain intangibles tax and corporate income tax returns when no tax is due.
- It repeals the documentary stamp tax on stock certificates and caps the tax on unsecured loans.
- It authorizes the Department of Revenue to require a report with certain claims for tax credits, and to disallow any credit not supported by the required report.
- It authorizes the Department of Revenue to waive registration fees under ss. 212.18 and 376.70, F.S., for online registrations.
- It provides that interest on any corporate income tax deficiency accrues from the date fixed for filing the original return.
- It allows certain employers of domestic service employees to file annually for unemployment tax.
- It provides that for the frozen fruits, fruit juices, and vegetables industry, if the ultimate destination of the product is a location outside the state, the sale is not deemed to occur in this state.
- It provides for an additional choice of venue for initiating action in tax cases, and allows improperly filed cases to be transferred, rather than dismissed.
- It allows a taxpayer to establish overpayment of sales and use tax through statistical sampling when applying for a refund.

- It requires that penalties in excess of 25 percent of the tax be settled or compromised under certain conditions, and provides for a de novo review of challenges to penalty assessment.
- It extends the Department of Revenue's Certified Audit Program through July 1, 2006. Under current law this program is repealed July 1, 2002.
- It provides that certain single-member limited liability companies that are disregarded for federal income tax purposes must be treated as separate legal entities for non-income tax purposes.
- It expands the definition of "qualified student," for purposes of granting tax credits for contributions to eligible non-profit scholarship funding organizations, to include students who meet the income criteria and who are eligible to enter kindergarten or first grade.

CS/SB 2302 is the Department of Revenue's General Tax Administration Bill. The major issues contained in CS/SB 2302 are as follows:

- Reinstates the sales tax exemptions for parent-teacher associations that were inadvertently affected due to a change in the definition of "educational institution."
- For sales tax purposes the bill replaces the definition of certain machinery and equipment with a definition that is consistent with a past federal explanation of the term.
- For sales tax purposes, the bill modifies the law to impose certain requirements on the removal of motor vehicles from the state.
- Provides consistent treatment under the sales tax statutes for vessels, railroads, and motor vehicles engaged in interstate or foreign commerce.
- Extends the certified audit program for an additional 4 years
- Provides that general tax administration provisions of the Department of Revenue would apply to the collection of unemployment compensation taxes.
- Requires employers that report ten or more employees to file quarterly unemployment compensation reports by electronic means.
- Lowers unemployment compensation tax electronic filing and payment thresholds from \$50,000 to \$10,000.
- Provides for an automatic compromise of penalties where the dealer made a good faith effort to comply with the law.
- Limits sales tax penalties for inadvertent registration errors and encourages voluntary self-disclosure.
- Clarifies that payments to utility companies by a regional transmission organization are not subject to the sales tax on rentals.
- Provides for the forgiveness of sales tax, penalty and interest resulting from failure to use the traditional rounding of tax, under certain circumstances.
- Extends for an additional 3 years, from 2003 to 2006, the sales tax exemptions awarded to facilities such as civic centers, convention halls, stadiums, and performing arts centers.
- Reenacts the aviation fuel tax credit for certain airlines. This provision expired July 1, 2001
- The bill reenacts language regarding the Municipal Revenue Sharing calculations for Metro-Dade's annual growth increase that was contained in Supplemental Appropriations Bill SB 2-C, which expires on June 30, 2002.

- Adds several issues to the Taxpayer Bill of Rights
- Provides that a taxpayer's liability for interest shall be settled or compromised whenever the DOR determines that a delay in the determination of the amount of interest due is attributable to the action or inaction of a DOR employee.
- Reduces from 5% to 4.7%, the upper threshold that triggers a downward tax rate adjustment due to excessive unemployment compensation trust fund balances and reduces from 4% to 3.7%, the lower threshold that triggers an upward tax rate adjustment due to low unemployment trust fund balances.
- Clarifies that the Rewards Program is the only means available to obtain compensation for information regarding another person's failure to comply with the state's tax laws.
- Provides that tax does not apply to a contract to sell the residence of an employee relocation company, but tax does apply to the transfer by deed that names the grantee.