## HOUSE OF REPRESENTATIVES STAFF ANALYSIS

**BILL #:** HB 1617 Aerospace Infrastructure
**SPONSOR(S):** Allen
**TIED BILLS:** None **IDEN./SIM. BILLS:** CS/SB 1086

| REFERENCE | ACTION | ANALYST | STAFF DIRECTOR |
|---|---|---|---|
| 1) Commerce | 16 Y, 0 N w/CS | McDonald | Whitfield |
| 2) Finance & Tax | | | |
| 3) Appropriations | | | |
| 4) | | | |
| 5) | | | |

## SUMMARY ANALYSIS


HB 1617 creates the Aerospace Infrastructure Reinvestment Act of 2003.

The bill requires dealers doing business under contract with NASA at the John F. Kennedy Space Center or the Cape Canaveral Air Force Station to collect taxes from sales and admissions and remit the taxes to the Department of Revenue for subsequent distribution to the Florida Commercial Space Financing Corporation. The Florida Commercial Space Financing Corporation was created in 1999 to facilitate the growth of aerospace products, activities, services and facilities in the state.

These tax proceeds are to be used to fund aerospace infrastructure as defined by the bill. The first $1.5 million received by the Florida Commercial Space Financing Corporation must be used for aerospace infrastructure used in, or pertaining directly to, human space flight.

No current estimates as to the fiscal impact of this bill are available. However, figures developed by the Revenue Estimating Conference for FY 2002-03 for similar legislation estimate a reduction of state and local revenues by $3.1 million annually. This estimate includes an annual reduction of $2.7 million from the General Revenue Fund and an annual reduction of $400,000 from local government revenues. These reductions will end July 1, 2008.

The bill provides that the act shall take effect on July 1, 2003 and shall expire July 1, 2008.

## FULL ANALYSIS

## I. SUBSTANTIVE ANALYSIS

A. DOES THE BILL:

| | | | |
|---|---|---|---|
| 1. Reduce government? | Yes[] | No[] | N/A[x] |
| 2. Lower taxes? | Yes[] | No[] | N/A[x] |
| 3. Expand individual freedom? | Yes[] | No[] | N/A[x] |
| 4. Increase personal responsibility? | Yes[] | No[] | N/A[x] |
| 5. Empower families? | Yes[] | No[] | N/A[x] |

For any principle that received a "no" above, please explain:

B. EFFECT OF PROPOSED CHANGES:

**I. Background**

**Florida Commercial Space Financing Corporation (FCSFC)**

In 1999, the Legislature made substantial changes to statutes governing the state's involvement in promoting commercial space flight. Among other things, chapter 99-256, Laws of Florida, (codified at Part III, chapter 331, F.S.) created the Florida Commercial Space Financing Corporation [FCSFC], a not-for-profit corporation established to expand employment and income opportunities for residents of the state. The corporation provides businesses domiciled in this state with information, technical assistance, and financial assistance to support space-related transactions, in order to increase the development within the state of commercial aerospace products, activities, services, and facilities. Specifically, s. 331.407, F.S., authorizes the corporation to:

- Coordinate efforts with the United States Air Force, the National Aeronautics and Space Administration (NASA), the Export-Import Bank, the International Trade Administration of the United States Department of Commerce, the Foreign Credit Insurance Association, Enterprise Florida, Inc., and other public and private programs and organizations, domestic and foreign;

- Establish contacts among public and private organizations in industry, both foreign and domestic, which provide information, technical assistance, and financial support to the aerospace industry;

- Compile and disseminate information on financing opportunities and techniques of financing in the aerospace industry;

- Organize and participate in seminars regarding aerospace financing;

- Insure, coinsure, lend, guarantee loans, and originate for sale direct space-related loans; [*]

- Capitalize, underwrite, and secure funding for aerospace infrastructure, satellites, launch vehicles, and any service which supports aerospace launches;

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[*] Applicants must be domiciled in Florida, have an equity interest in the business applying for the financial assistance, and must use Florida launch facilities to the maximum extent possible.

- Construct, lease, or sell aerospace infrastructure, satellites, launch vehicles, and related services and activities;

- Acquire property (tangible or intangible) and dispose of the same; and

- Make and exercise any and all contracts necessary to exercise its powers.

The governing board of FCSFC consists of seven voting members and two non-voting members. Voting members include a representative appointed by each of the following entities: the board of supervisors of Florida Space Authority, the board of directors of the Florida Export Finance Corporation, the board of directors of Enterprise Florida, Inc., the director of the Office of Tourism, Trade, and Economic Development (OTTED), and the Secretary of Transportation. The Governor appoints two additional voting members: a representative of the investment banking industry and a lawyer in private practice to the board. The Speaker of the House of Representatives and the President of the Senate each appoint a non-voting board member.

The FCSFC must submit a report on its activities each year to the Governor, the Speaker of the House of Representatives, the President of the Senate, and the minority leaders of the Legislature.

**Tax on Sales, Use, and Other Transactions**

Chapter 212, F.S., provides for a 6-percent tax on sales, use and other transactions.

- Section 212.05, F.S., provides that every person who engages in the business of selling tangible personal property at retail in this state, including the business of making mail order sales, or who rents or furnishes any of the things or services taxable under chapter 212, F.S., or who stores for use or consumption any item or article of tangible personal property and who leases or rents such property is exercising a taxable privilege. Section 212.05(1)(a)1.a., F.S., provides for a 6 percent tax rate on the retail price of each item or article of tangible personal property when sold at retail in Florida. Section 212.05(1)(b), F.S., provides for a 6-percent tax on the cost price of any item of tangible personal property that is not sold but used in Florida. Such tax collections are remitted to the General Revenue Fund.

- Section 212.04(1)(a), F.S., provides that every person is exercising a taxable privilege who sells or receives anything of value by way of admissions. Section 212.04(1)(b), F.S., levies a 6-percent tax of sales price, or the actual value received from admissions. Section 212.04, F.S., also contains several exceptions to the admissions tax. Admissions tax collections are also remitted to the General Revenue Fund.

- Section 212.031, F.S., levies a 6 percent tax on the value of leases and licenses granted for the use of property. The tenant or person occupying the premises shall pay the tax to the landlord or person granting the right to use the property. The landlord or person granting the right to use the property shall remit such taxes to the Department of Revenue.

Additionally, local governments are authorized to levy one or more of six types of Local Discretionary Sales Surtaxes, ranging from 0.25 percent to 1.0 percent each. Depending on the types of discretionary sales surtaxes levied by a county, the cap is 1 percent, or 1.5 percent if a publicly supported medical school is located in the county. Proceeds from discretionary sales surtaxes imposed pursuant to ss. 212.054 and 212.055, F.S., are reallocated to the Discretionary Sales Surtax Clearing Trust Fund.

Presently, dealers conducting business at the John F. Kennedy Space Center and/or at the Cape Canaveral Air Force Station collect and remit to the Department of Revenue sales tax on the sale of tangible personal property and admissions and on the leasing or licensing of real property. Sales tax collected by such dealers is presently credited to the General Revenue Fund and the Discretionary Sales Surtax Clearing Trust Fund, pursuant to s. 212.20, F.S.

**II. Effect of Proposed Changes:**

This bill allows the Florida Commercial Space Financing Corporation (FCSFC) to fund aerospace infrastructure from sales and admissions tax proceeds generated at the John F. Kennedy Space Center and the Cape Canaveral Air Force Station.

C. SECTION DIRECTORY:

**Section 1.** Provides a title: "Aerospace Infrastructure Reinvestment Act of 2003."

**Section 2.** States legislative finding that growth in the state's space industry is a vital component of Florida's overall economic plan and states that the reinvestment of certain sales tax receipts is a means of providing for infrastructure growth.

**Section 3.** Amends s. 212.20(6)(b) and (d), F.S., as amended by section 1, chapter 2002-291, Laws of Florida, relating to the distribution of sales and use tax proceeds. Provides an exception to required reallocation of discretionary sales surtaxes to the Discretionary Sales Surtax Clearing Trust Fund in paragraph (b).

Creates sub subparagraph e. in s. 212.20(6)(d)7., F.S., to: (1) require every dealer conducting business at a fixed location at the John F. Kennedy Space Center or Cape Canaveral Air Force Station and selling admissions to those facilities pursuant to a contract or sub-contract with NASA to file a return each month to the Department of Revenue (DOR); (2) require return to segregate information regarding taxes collected on admissions, sales, leases, and licenses; (3) require timely remittance of taxes; (4) require a dealer to file copies of the return with the FCSFC and OTTED; (5) direct DOR to distribute to the FCSFC all taxes collected and remitted according to the returns; (6) specify that such funds be used solely for funding aerospace infrastructure with the first $1.5 million of funds distributed to be used for aerospace infrastructure used in, or pertaining directly to, human space flight; and, (7) define "aerospace infrastructure".

**Section 4.** Authorizes Department of Revenue to adopt rules.

**Section 5.** Provides the Act shall take effect July 1, 2003, and shall expire July 1, 2008. States that the bill only applies to taxes due on or after July 1, 2003.

## II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

   See Fiscal Comments.

2. Expenditures:

   None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

   See Fiscal Comments.

2. Expenditures:

   None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The commercial space flight industry may benefit from increased public financial support made possible by earmarking sales tax proceeds for aerospace infrastructure.

D. FISCAL COMMENTS:

No current estimates as to the fiscal impact of this bill are available. However, figures developed by the Revenue Estimating Conference for FY 2002-03 for similar legislation estimate a reduction of state and local revenues by $3.1 million annually. This estimate includes an annual reduction of $2.7 million from the General Revenue Fund and an annual reduction of $400,000 from local government revenues. These reductions will end July 1, 2008.

## III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

   This bill does not require counties or municipalities to spend funds or to take action that requires the expenditure of funds nor does it reduce the percentage of state tax shared with counties or municipalities.

   This bill reduces the revenue raising authority of cities and counties. However, based upon the estimates provided in FY 2002-2003, the aggregate fiscal impact on cities and counties is expected to be less than $1.6 million; thus, the bill meets the exemption from the constitutional provisions based on the insignificant fiscal impact on cities and counties.

2. Other:

   None.

B. RULE-MAKING AUTHORITY:

This bill authorizes the Department of Revenue to promulgate rules to implement the provisions of the act.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

## IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES

On April 7, 2003, the Committee on Commerce passed HB 1617 with a committee substitute. The committee substitute differs from the original bill by clarifying how tax proceeds are to be used and by directing the first $1.5 million of tax proceeds received by the Florida Commercial Space Financing Corporation to be used for aerospace infrastructure used in, or pertaining directly to, human space flight.