The Florida Senate

BILL ANALYSIS AND FISCAL IMPACT STATEMENT

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

Prepared By: The Professional Staff of the Governmental Oversight and Accountability Committee

BILL: SM 2254

INTRODUCER: Senators Gelber and Bullard

SUBJECT: Tax Increase Prevention and Reconciliation Act

DATE: April 8, 2010 REVISED:

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Howes	Yeatman	CA	**Favorable**
2.	McKay	Wilson	GO	**Favorable**
3.			WPSC	
4.			RC	
5.				
6.				

I. Summary:

This Senate Memorial urges the U.S. Congress to repeal Section 511 of the Tax Increase Prevention and Reconciliation Act (TIPRA) which requires governments that have annual budgets in excess of $100 million to withhold a 3 percent federal tax on payments made for most goods and services.

II. Present Situation:

The Tax Increase Prevention and Reconciliation Act of 2005,[1] was enacted on May 17, 2006. This act prevented several tax provisions from sunsetting. This act also required all government entities to withhold a federal income tax of 3 percent, on payments made after December 31, 2010, of most government payments for products and services made by the federal, state, and local governments with total expenditures of $100 million or more annually. There is no minimum transaction amount, and each qualifying governmental entity would have to issue a 1099 or similar documentation at the end of every year to each vendor.

The implementation date of this provision was delayed one year to January 1, 2012, by the American Recovery and Reinvestment Act (Public Law 111-5) that was signed into law on February 17, 2009.

[1] Pub. Law. 109-222, 120 Stat. 345.

III. Effect of Proposed Changes:

This Senate Memorial urges the U.S. Congress to repeal the Tax Increase Prevention and Reconciliation Act (TIPRA), which requires governments that have annual budgets in excess of $100 million to withhold a three percent federal tax on payments made for most goods and services, by enacting H.R. 275 or S. 292, or similar legislation, which is pending before the 111th Congress.

The memorial provides for copies to be submitted to the President of the United States, the President of the U.S. Senate, the Speaker of the U.S. House of Representatives, and each member of Florida's congressional delegation.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

Section 511 of TIPRA imposes a significant costs burden on vendors, which then may result in increased prices for products and services for the qualifying government. Since the requirement only applies to public sector transactions, it also creates a disincentive for many vendors to do business with cities, counties, school boards, and the state.

C. Government Sector Impact:

None.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Additional Information:

A. Committee Substitute – Statement of Substantial Changes:

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

B. Amendments:

None.