

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 1598

INTRODUCER: Senator Siplin

SUBJECT: Tax Increase Prevention and Reconciliation Act

DATE: April 11, 2011

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Naf	Roberts	GO	Pre-meeting
2.			CA	
3.				
4.				
5.				
6.				

I. Summary:

This Senate Memorial urges the U.S. Congress to repeal Section 511 of the Tax Increase Prevention and Reconciliation Act, 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 2005¹ was enacted on May 17, 2006. This act prevented several tax provisions from sunseting. It also required all government entities to withhold a federal income tax of 3 percent on payments made after December 31, 2010, for 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.²

¹ Pub. Law 109-222, 120 Stat. 345.

² Pub. Law 111-5, 123 Stat. 115, was signed into law on February 17, 2009.

III. Effect of Proposed Changes:

This Senate Memorial urges the U.S. Congress to repeal Section 511 of the Tax Increase Prevention and Reconciliation Act and to support the repeal of this requirement in H.R. 275 and S.R. 292.

This memorial also provides for copies of the memorial 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 the Florida delegation to the United States Congress.

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 the Tax Increase Prevention and Reconciliation Act imposes a significant cost burden on vendors, which may result in increased prices for products and services for the qualifying government. Because the requirement applies only to public sector transactions, it also creates a disincentive for many vendors to do businesses with cities, counties, school boards, and the state.

C. Government Sector Impact:

See discussion in "Private Sector Impact" above.

VI. Technical Deficiencies:

The memorial urges support of H.R. 275 and S.R. 292; however, those bills were filed in last year's session, and therefore no action can now be taken on them. The Legislature may wish to consider either deleting the reference to bills or replacing the reference with current bill numbers.

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.

This Senate Bill Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.
