

**HOUSE OF REPRESENTATIVES
FINAL BILL ANALYSIS**

BILL #:	HB 7099	FINAL HOUSE FLOOR ACTION:	
SPONSOR(S):	Finance and Tax Committee and Gaetz	105 Y's	9 N's
COMPANION BILLS:	HB 115, HB 247, HB 301, HB 551, HB 721, HB 939, CS/HB 1079, CS/SB 98, SB 116, CS/CS/SB 698, CS/SB 842, CS/SB 844, CS/CS/SB 1236, CS/SB 1272, SB 148, SB 7064	GOVERNOR'S ACTION:	Approved

SUMMARY ANALYSIS

The bill provides for a wide range of tax reductions and modifications designed to directly impact both households and businesses, and to improve tax administration.

Sales Tax

The bill includes a permanent extension of the sales tax exemption for certain manufacturing machinery and equipment and expands the exemption to include machinery and equipment used for certain agricultural postharvest activities and metals recycling. An exemption for sales of food and drink by military veterans service organizations to their members is created. The bill clarifies requirements for the current exemption on sales of aircraft that will be registered in a foreign jurisdiction. The bill phases out over three years the current per ton tax on asphalt used for government public works projects. The bill includes a three-day "back-to-school" holiday for clothing and footwear priced at \$60 or less, and school supplies priced at \$15 or less.

Property Tax

The bill clarifies that for a limited period, current local option economic development tax exemptions can be granted in areas which were designated enterprise zones as of December 30, 2015. The bill also specifies that replacement equipment for a data center qualifies for the exemption and provides that the exemption shall remain in effect for 20 years for a data center (as opposed to 10 years for other facilities under current law).

Corporate Income Tax

To maintain the linkage between Florida's corporate income tax code and that of the federal government, the bill updates references to the Internal Revenue Code as in effect on January 1, 2016, with some exceptions. Also, some filing dates are changed to conform with federal filing date changes.

Other Provisions

Further changes in the bill include: equalization of the tax rates on apple and pear cider; changes to allowable uses of tourist development taxes under specified circumstances; elimination of a current exemption from and a reduction of the aviation fuel tax rate; clarification of administration of the tax on other tobacco products; and replacement of the current tax calculation on liquor and tobacco sold on cruise ships with a simpler, revenue neutral calculation.

The bill was approved by the Governor on April 13, 2016, ch. 2016-220, L.O.F., and will become effective July 1, 2016, except as otherwise provided.

The total of -\$129.0 million in tax reductions in the bill is the sum of the recurring impacts, reflecting the annual value of permanent tax cuts when fully implemented, and the pure nonrecurring impacts, reflecting temporary tax reductions. The bill also includes nonrecurring General Revenue appropriations of \$330,356. Also see FISCAL COMMENTS section.

I. SUBSTANTIVE INFORMATION

A. EFFECT OF CHANGES:

Sales Tax

Florida's sales and use tax is a 6 percent levy on retail sales of a wide array of tangible personal property, admissions, transient lodgings, commercial real estate rentals, and motor vehicles, unless expressly exempted. In addition, Florida authorizes several local option sales taxes that are levied at the county level on transactions that are subject to the state sales tax. Generally, the sales tax is added to the price of a taxable good and collected from the purchaser at the time of sale. Sales tax represents the majority of Florida's general revenue stream (77.0 percent for FY 2015-2016¹) and is administered by the Department of Revenue (DOR) under chapter 212, F.S.

Industrial Manufacturing and Equipment Sales Tax Exemption

Current Situation

Since April 30, 2014², state law³ exempts from sales and use tax purchases of industrial machinery and equipment used at a fixed location in Florida by an eligible manufacturing business that will manufacture, process, compound, or produce items of tangible personal property. The exemption also includes parts and accessories for the industrial machinery and equipment if they are purchased before the date the machinery and equipment are placed in service.

An "eligible manufacturing business" means any business whose primary business activity at the location where the industrial machinery and equipment are located is within the industries classified under manufacturing North American Industry Classification System⁴ (NAICS) codes 31, 32, and 33⁵. The primary business activity of an eligible business is that activity which represents more than 50 percent of the activities conducted at the location where the industrial machinery and equipment are located. Examples of types of manufacturing establishments represented by the applicable NAICS codes include, but are not limited to, food, apparel, wood, paper, printing, chemical, pharmaceutical, plastic, rubber, metal, transportation, and furniture.

The selling dealer (vendor) is required to obtain a signed certificate from the purchaser certifying the purchaser's entitlement to the tax exemption. The signed certificate will relieve the selling dealer of any potential tax liability on nonqualifying purchases.

Also included in the exemption are mixer drums affixed to mixer trucks which are used to mix, agitate, and transport freshly mixed concrete in a plastic state for the manufacture, processing, compounding, or production of items of tangible personal property for sale. Parts and labor required to affix a mixer drum to a mixer truck are also exempt.

The exemption expires on April 30, 2017.

Proposed Changes

¹ FLORIDA REVENUE ESTIMATING CONFERENCE, [2016 FLORIDA TAX HANDBOOK \(2016\)](#).

² Ch. 2013-39, Laws of Fla

³ Section 212.08(7)(kkk), F.S.

⁴ North American Industry Classification System, NAICS Code Description available at <http://www.naics.com/naics-code-description/?code=31> (last visited January 21, 2016).

⁵ NAICS codes 31-33 pertain to manufacturing businesses. A more detailed description of the specific types of businesses included in NAICS codes 31-33 is available at: <http://www.naics.com/six-digit-naics/?code=3133>; (last visited January 21, 2016).

The bill amends s. 212.08, F.S., to make permanent the sales and use tax exemption for certain industrial machinery and equipment purchased by eligible manufacturing businesses. The bill also adds to the list of eligible manufacturing businesses, those whose primary activity at the location where the industrial machinery and equipment is located is classified under NAICS code 423930⁶ (metals recyclers).

The bill also adds an exemption for certain “postharvest machinery and equipment” for eligible businesses whose primary business activity at the location where the postharvest machinery and equipment is located is within NAICS code 115114.⁷ Postharvest machinery is defined as tangible personal property or other property that has a depreciable life of 3 years or more and that is used primarily for postharvest activities, and includes repair parts, materials and labor.

The bill retains the repeal date of April 30, 2017, for the sales and use tax exemption for a mixer drum affixed to a mixer truck and the parts and labor required to affix the drum to the truck.

Veterans’ Organizations

Current Situation

There is a sales tax exemption for sales or leases of tangible personal property to qualified veterans’ organizations and their auxiliaries when used in carrying on their customary veteran’s organization activities.⁸ Veterans’ organizations are defined as nationally chartered organizations which hold certain exemptions from federal income tax, including, but not limited to Florida chapters of the Paralyzed Veterans of America, Catholic War Veterans of the U.S.A., Jewish War Veterans of the U.S.A., and the Disabled American Veterans, Department of Florida, Inc.⁹

Proposed Changes

The bill adds to the current sales tax exemption sales of food or drinks by qualified veterans’ organizations in connection with customary veterans’ organization activities to members of qualified veterans’ organizations. The bill also explicitly lists the American Legion and Veterans of Foreign Wars of the United States, as qualified veterans’ organizations.

Aircraft Registered in a Foreign Jurisdiction

Current Situation

Generally speaking, sales of tangible personal property for export are not subject to tax in Florida. The legal rules governing taxability in the context of an export of tangible personal property can be complex, as can be the documentation requirements. Rule 12-1.007(10)(d)1., F.A.C., provides that:

Aircraft being exported under their own power to a destination outside the continental limits of the United States are subject to tax, unless the purchaser furnishes the dealer a duly signed and validated United States Customs declaration, showing the departure of the aircraft from the continental United States and the canceled United States registry of said aircraft. The burden of obtaining the evidential matter to establish the exemption rests with the selling dealer, who must retain the proper documentation to support the exemption.

⁶ NAICS code 423930 pertains to recyclable material merchant wholesalers. This industry comprises establishments primarily engaged in the merchant wholesale distribution of automotive scrap, industrial scrap, and other recyclable materials. A more detailed description of the specific types of businesses included in NAICS code 423930 is available at: <http://www.naics.com/naics-code-description/?code=423930> (last visited January 21, 2016)

⁷ NAICS code 115114 pertains to establishments primarily engaged in performing services on crops, subsequent to their harvest, with the intent of preparing them for market or further processing. See: <http://www.naics.com/naics-code-description/?code=115114>

⁸ Section 212.08(7)(n)1., F.S.

⁹ Section 212.08(7)(n)2., F.S.

Other provisions of Florida law may be implicated in this type of transaction.

Proposed Changes

The bill clarifies the requirements for the exemption from tax on certain sales of aircraft that will be registered in a foreign jurisdiction. The bill specifies that an exemption applies on the purchase of an aircraft in Florida for aircraft that will be registered in a foreign jurisdiction, if:

- Application for the aircraft's registration is properly filed with a civil airworthiness authority of a foreign jurisdiction within 10 days from the date of purchase;
- The purchaser removes the aircraft from Florida to a foreign jurisdiction within 10 days from the date the aircraft is registered by the applicable foreign airworthiness authority; and
- The aircraft is operated in Florida solely for the removal from the state to a foreign jurisdiction.

Sales tax on Asphalt Used for Government Projects

Current Situation

Section 212.06(b), F.S., imposes a six percent use tax on any person who manufactures, produces, compounds, processes, or fabricates...tangible personal property for his or her own use. The tax is based upon the cost of the product, without any deduction for the cost of material, labor or transportation. Section 212.06(c)1, F.S., provides that, notwithstanding the provisions of paragraph (b), the use tax on asphalt manufactured for one's own use is calculated only upon the cost of materials which become a component part or which are an ingredient of the finished asphalt and upon the cost of transportation of such components and ingredients. In addition, an indexed tax is also imposed upon the manufactured asphalt, adjusted each July 1 by the average of the "materials and components for construction" as published by the United States Department of Labor Bureau of Statistics. The current indexed tax is 74 cents per ton for the period July 1, 2015, through June 30, 2016. Under current law, the indexed tax on manufactured asphalt used for any federal, state, or local government public works project is reduced by 40 percent as required by s. 212.06(1)(c)2.b., F.S. After the reduction, the current indexed tax rate for such asphalt used for the identified public works projects is 45 cents per ton for the period July 1, 2015, through June 30, 2016. The tax is due in the month the asphalt is manufactured for use by the contractor.

Proposed Changes

The bill phases out the indexed sales tax on asphalt used for government projects over three years with the tax being fully eliminated beginning July 1, 2018.

Sales Tax Holiday

Current Situation

Since 1998, the Legislature has enacted 19 temporary periods (commonly called "sales tax holidays") during which certain household items, household appliances, clothing, footwear, books, and/or school supply items were exempted from the state sales tax and county discretionary sales surtaxes.

Back-to-School Holidays--Florida has enacted a "back to school" sales tax holiday 14 times since 1998. The length of the exemption periods has varied from three to 10 days. The type and value of exempt items has also varied. Clothing and footwear have always been exempted at various thresholds, most recently \$100. Books valued at \$50 or less were exempted in six periods. School supplies have been included starting in 2001, with the value threshold increasing from \$10 to \$15. In 2013, personal computers and related accessories purchased for noncommercial home or personal use with a sales price of \$750 or less were exempted. In 2014, the first \$750 of the sales price of personal computers

and related accessories purchased for noncommercial home or personal use were exempted. The following table describes the history of back to school sales tax holidays in Florida:

Dates	Length	TAX EXEMPTION THRESHOLDS				
		Clothing/ Footwear	Wallets/ Bags	Books	Computers	School Supplies
August 15-21, 1998	7 days	\$50 or less	N/A	N/A	N/A	N/A
July 31-August 8, 1999	9 days	\$100 or less	\$100 or less	N/A	N/A	N/A
July 29-August 6, 2000	9 days	\$100 or less	\$100 or less	N/A	N/A	N/A
July 28-August 5, 2001	9 days	\$50 or less	\$50 or less	N/A	N/A	\$10 or less
July 24-August 1, 2004	9 days	\$50 or less	\$50 or less	\$50 or less	N/A	\$10 or less
July 23-31, 2005	9 days	\$50 or less	\$50 or less	\$50 or less	N/A	\$10 or less
July 22-30, 2006	9 days	\$50 or less	\$50 or less	\$50 or less	N/A	\$10 or less
August 4-13, 2007	10 days	\$50 or less	\$50 or less	\$50 or less	N/A	\$10 or less
August 13-15, 2010	3 days	\$50 or less	\$50 or less	\$50 or less	N/A	\$10 or less
August 12-14, 2011	3 days	\$75 or less	\$75 or less	N/A	N/A	\$15 or less
August 3-5, 2012	3 days	\$75 or less	\$75 or less	N/A	N/A	\$15 or less
August 2-4, 2013	3 days	\$75 or less	\$75 or less	N/A	\$750 or less	\$15 or less
August 1-3, 2014	3 days	\$100 or less	\$100 or less	N/A	First \$750 of the sales price	\$15 or less
August 7 - 16, 2015	10 days	\$100 or less	\$100 or less	N/A	First \$750 of the sales price	\$15 or less

Proposed Changes

The bill provides for a three-day back-to-school sales tax holiday from August 5, 2016, through August 7, 2016. During the holiday, the following items that cost \$60 or less are exempt from the state sales tax and county discretionary sales surtaxes:

- Clothing (defined as an “article of wearing apparel intended to be worn on or about the human body,” but excluding watches, watchbands, jewelry, umbrellas, and handkerchiefs);
- Footwear (excluding skis, swim fins, roller blades, and skates);
- Wallets; and
- Bags (including handbags, backpacks, fanny packs, and diaper bags, but excluding briefcases, suitcases, and other garment bags).

The bill also exempts “school supplies” that cost \$15 or less per item during the holiday.

The holiday does not apply to the following sales:

- Sales within a theme park or entertainment complex, as defined in s. 509.013(9), F.S.;
- Sales within a public lodging establishment, as defined in s. 509.013(4), F.S.; and
- Sales within an airport, as defined in s. 330.27(2), F.S.

The bill allows the holiday to apply at the option of a dealer if less than 5 percent of the dealer’s gross sales of tangible personal property in the prior calendar year are comprised of items that would be exempt under the holiday. If a qualifying dealer chooses not to participate in the tax holiday, by August

1, 2016, the dealer must notify DOR in writing of its election to collect sales tax during the holiday and must post a copy of that notice in a conspicuous location at its place of business

The bill allows DOR to adopt emergency rules to implement the provisions of the holiday.

Corporate Income Tax

Florida levies corporate income tax on corporations of 5.5 percent for income earned in Florida.¹⁰ The calculation of Florida corporate income tax starts with a corporation's federal taxable income.¹¹ After certain addbacks and subtractions to federal taxable income required by chapter 220, F.S., the amount of adjusted federal income attributable to Florida is determined by the application of an apportionment formula.¹² The Florida corporate income tax uses a three-factor apportionment formula consisting of property, payroll, and sales (which is double-weighted) to measure the portion of a multistate corporation's business activities attributable to Florida.¹³ Income that is apportioned to Florida using this formula is then subject to the Florida income tax. The first \$50,000 of net income is exempt.¹⁴

Federal Tax Code Conformance--"Piggyback"

Current Situation

The determination of taxable income for Florida tax purposes begins with the taxable income determined for federal income tax purposes.¹⁵ This means that a corporation paying taxes in Florida receives the same treatment in Florida as is allowed in determining its federal taxable income.

Florida maintains its relationship with the federal Internal Revenue Code by each year adopting the federal Internal Revenue Code as it exists on January 1 of the year. By doing this, Florida adopts any changes that were made in the previous year to the determination of federal taxable income.

Tax Calculation

On December 18, 2015, the federal government passed the Consolidated Appropriations Act, 2016,¹⁶ which contains several significant amendments to the Internal Revenue Code.

Generally, the Internal Revenue Code allows a taxpayer to deduct the cost of capital assets by deducting a portion of the cost over the useful life of the property (depreciation).¹⁷ Additionally, the Internal Revenue Code allows a taxpayer to treat a certain amount of the cost of capital assets as a business expense that can be taken entirely in the year of purchase (expensing).¹⁸ Prior to the Consolidated Appropriations Act, 2016, the amount that could be expensed was limited to \$25,000.

Federal legislation during the past several years¹⁹ granted accelerated depreciation deductions (bonus depreciation) and increases in the expensing limitation on a temporary basis. However, the Consolidated Appropriations Act, 2016 permanently increased the expensing limitation from \$25,000 to \$500,000 for property placed in service in 2015 and thereafter. In addition, the Consolidated

¹⁰ Section 220.11, F.S.

¹¹ Section 220.12, F.S.

¹² Section 220.15, F.S.

¹³ Section 220.15, F.S.

¹⁴ Section 220.14, F.S.

¹⁵ Section 220.12, F.S.

¹⁶ Pub. L. No. 114-113, Division Q, s. 143, H.R. 2029, 114th Cong. (December 18, 2015).

¹⁷ See generally 26 U.S.C. §§ 167 and 168.

¹⁸ See generally 26 U.S.C. § 179.

¹⁹ The Economic Stimulus Act of 2008, the American Recovery and Reinvestment Act of 2009, the Small Business Jobs Act of 2010, the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, and the American Taxpayer Relief Act of 2012.

Appropriations Act, 2016 extended for five years the first-year bonus depreciation amount of 50 percent of the cost of the property placed in service during 2015. The percentage is 50 percent for property placed in service during 2015, 2016, and 2017, but then phases down to 40 percent in 2018 and 30 percent in 2019.²⁰ The estimated impact if Florida were to accept all of these changes in its tax code for fiscal years 2015-16 and 2016-17 combined is -\$396.6 million.²¹

Corporate Income Tax Returns

On July 31, 2015, the federal government passed the Surface Transportation and Veterans Health Care Choice Improvement Act of 2015,²² which contains amendments to the Internal Revenue Code regarding the due date for federal corporate income tax returns. For federal income tax return purposes, the following changes apply for tax years beginning after 2015 (unless otherwise specified):

Federal Due Dates			
Return Type	Due Date Under Prior Law (extension due date in parentheses)	Due Date Under New Law (extension due date in parentheses)	Comments
Partnership (calendar year)	April 15 (September 15)	March 15 (September 15)	
Partnership (fiscal year)	15th day of 4th month after the year-end (15th day of 10th month)	15th day of 3rd month after the year-end (15th day of 9th month)	
C-corporation (calendar year)	March 15 (September 15)	April 15 (September 15)	For tax years after December 31, 2025, the extension due date is changed to October 15
C-corporation (fiscal year ending June 30)	September 15 (March 15)	September 15 (April 15)	
C-corporation (fiscal year ending other than June 30 or December 31)	15th day of 3rd month after year-end (15th day of 9th month after year-end)	15th day of 4th month after year-end (15th day of 10th month after year-end)	For tax years after December 31, 2025, the return due date is changed to October 15

Under Florida law, the due dates to file several tax returns related to corporate income tax are tied to the federal law. Florida corporations must file income tax returns on or before the first day of the 4th month following the close of the tax year or the 15th day following the federal due date (on or before the first day of the 5th month for partnership informational returns).²³

When a Florida corporation or partnership is granted an extension of time to file its federal return, the taxpayer may file an extension of time to file its Florida return;²⁴ if granted, the extended Florida due date will be the 15th day after the expiration of the federal extension, or until the expiration of 6 months

²⁰ The bonus depreciation amount begins in 2019 for certain longer-lived and transportation property.

²¹ Revenue Estimating Conference, January 20, 2016.

²² Pub.L. No. 114-41, H.R. 3236 (July 31, 2015).

²³ Section 220.222(1), F.S.

²⁴ If a taxpayer extends the time to file its Florida return, the taxpayer must file a tentative tax return pursuant to s. 220.32, F.S.

from the original due date, whichever occurs first.²⁵ If a taxpayer extends the time to file its Florida return, Florida law requires the taxpayer to file a tentative tax return, which is due on or before the federal due date.²⁶

Florida law requires every taxpayer to make a declaration of estimated tax each tax year, which is due before the 1st day of the 5th month of each tax year.²⁷ However, if a taxpayer reasonably expects to first meet the minimum tax requirement of \$2,500 in corporate income tax:

- After the 3rd month and before the 6th month of the tax year the declaration is due before the 1st day of the 7th month;
- After the 5th month and before the 9th month of the tax year the declaration is due before the 1st day of the 10th month; or
- After the 8th month and before the 12th month of the tax year the declaration is due before the 1st day of the succeeding taxable year.²⁸

Proposed Changes

Tax Calculation

The bill updates the Florida tax code to reflect changes in the federal Internal Revenue Code enacted by Congress.

The bill adopts the permanent increase in the expensing limitation from \$25,000 to \$500,000. However, in order to mitigate the Fiscal Year 2016-17 impact of the accelerated federal depreciation deductions on Florida, the bill requires taxpayers, for Florida tax purposes only, to spread the effect of this deduction over seven taxable years. The bill accomplishes this by requiring taxpayers to “add-back” the bonus depreciation deduction. The taxpayer is then permitted to subtract from income one-seventh (1/7) of the “add-back” for the current taxable year and the following six taxable years. This mechanism was used to address the impacts of similar federal legislation in 2009, 2011, 2013, and 2015.²⁹

Corporate Income Tax Returns

²⁵ Section 220.222(2), F.S.

²⁶ Section 220.32, F.S.

²⁷ Sections 220.24 and 220.241, F.S.

²⁸ *Id.*

²⁹ Chs. 2009-132, 2011-229 and 2013-40, Laws of Fla.

The bill also adjusts several Florida tax return due dates to reflect the federal due date changes. Upon this bill becoming law, the following due dates will apply:

- For tax years 2016 through 2025:
 - Due Date
 - All partnership returns (except June 30 year-end taxpayers) must be filed on or before the 4th month after the year-end.
 - All C-corporation returns (except June 30 year-end taxpayers) must be filed on or before the 5th month after the year-end, or the 15th day following the federal due date.
 - All June 30 year-end taxpayer returns must be filed on or before the 1st day of the 4th month after the year-end, or the 15th day following the federal due date.
 - Extension Due Date
 - If the taxpayer received a federal extension, the Florida due date is:
 - The expiration of 7 months from the original due date for June 30 year-end taxpayers;
 - The expiration of 5 months from the original due date for all taxpayers (except June 30 year-end taxpayers).
 - Estimated Tax Due Date
 - All June 30 year-end taxpayers must file a declaration of estimated tax before the 1st day of the 5th month of each tax year, unless required to file later pursuant to s. 220.241(1).
 - All taxpayers (except June 30 year-end taxpayers) must file a declaration of estimated tax before the 1st day of the 6th month of each tax year, unless required to file later pursuant to s. 220.241(1).
- For tax years 2026 and beyond:
 - Due Date
 - All partnership returns must be filed on or before the 4th month after the year-end.
 - All C-corporation returns must be filed on or before the 5th month after the year-end, or the 15th day following the federal due date.
 - Extension Due Date
 - If the taxpayer received a federal extension, the Florida due date is the expiration of 6 months from the original due date.
 - Estimated Tax Due Date
 - All taxpayers must file a declaration of estimated tax before the 1st day of the 6th month of each tax year, unless required to file later pursuant to s. 220.241(1).

The following chart summarizes the changes to the Florida due dates (and extension due dates) for C-corporations under current law and upon this bill becoming law.

Florida Due Dates			
Tax Year End	Current Law (extension due date in parentheses)	Upon Bill Becoming Law (tax years 2016- 2025) (extension due date in parentheses)	Upon Bill Becoming Law (tax years 2026 & beyond) (extension due date in parentheses)
January 31	May 1 (November 1)	June 1 (November 1)	June 1 (December 1)
February 28	June 1 (December 1)	July 1 (December 1)	July 1 (January 1)
March 31	July 1 (January 1)	August 1 (January 1)	August 1 (February 1)
April 30	August 1 (February 1)	September 1 (February 1)	September 1 (March 1)

May 31	September 1 (March 1)	October 1 (March 1)	October 1 (April 1)
June 30 ³⁰	October 1 (April 1)	October 1 (May 1)	November 1 (May 1)
July 31	November 1 (May 1)	December 1 (May 1)	December 1 (June 1)
August 31	December 1 (June 1)	January 1 (June 1)	January 1 (July 1)
September 30	January 1 (July 1)	February 1 (July 1)	February 1 (August 1)
October 31	February 1 (August 1)	March 1 (August 1)	March 1 (September 1)
November 30	March 1 (September 1)	April 1 (September 1)	April 1 (October 1)
December 31 ³¹	April 1 (October 1)	May 1 (October 1)	May 1 (November 1)

Documentary Stamp Tax

Coverage of Debt Service

Current Situation

All documentary stamp tax revenues, except those which are transferred to the Land Acquisition Trust Fund in compliance with the Florida Constitution, are subject to an 8 percent service charge,³² which is transferred to the General Revenue Fund.³³ Additionally, the Department of Revenue is permitted to deduct the amount necessary to pay for the cost it incurs in collecting the revenues (typically around \$9.8 million per year).

Section 201.15, F.S., provides, however, that all documentary stamp tax revenues collected, including the amounts which otherwise would make up the General Revenue service charge and the cost of collection, are pledged to pay debt service on bonds issued pursuant to ss. 215.618 and 215.619, or any other bonds issued on parity with such bonds. In the event that documentary stamp tax revenues are insufficient to pay for debt service, the cost of collection, and the General Revenue service charge, the funds which would make up the service charge and cost of collection are transferred as necessary to pay debt service. These provisions apply to bonds authorized before January 1, 2015 and secured by revenues collected pursuant to s. 201.15, F.S..

Proposed Changes

The bill provides that the funds which would otherwise be used for the General Revenue surcharge and cost of collection shall be made available under certain circumstances for payment of debt service on bonds authorized before January 1, 2017, instead of on bonds authorized before January 1, 2015, as under current law.

Aviation Fuel Taxes

Current Situation

Aviation Fuel, Kerosene, and Aviation Gasoline Taxes

³⁰ 3.3 percent of return filers in Florida use a December 31 year –end, which represents 3.6 percent of the corporate income tax liability.

³¹ 84 percent of return filers in Florida use a December 31 year –end, which represents 74.5 percent of the corporate income tax liability.

³² Section 201.15, F.S.

³³ Section 215.20(1), F.S.

Florida law imposes an excise tax of 6.9 cents on every gallon of aviation fuel sold in the state or brought into the state for use and a tax of 6.9 cents on each gallon of kerosene and aviation gasoline sold or brought into the state for use in an aircraft.³⁴

Florida law defines aviation fuel, kerosene, and aviation gasoline as follows:

- Aviation fuel means “fuel for use in aircraft, and includes aviation gasoline and aviation turbine fuels and kerosene, as determined by the American Society for Testing Materials specifications D-910 or D-1655 or current specifications.”³⁵
- Kerosene means “all aviation turbine fuels and any distillate known as diesel #1, K-1, or any product suitable for use as a substitute for kerosene not taxed as a diesel fuel under Ch. 206, Part II, F.S. Any kerosene meeting the definition of diesel under s. 206.86(1) is taxed under Ch. 206, Part II, F.S.”³⁶ When kerosene is used for aviation fuel, it is awarded the same tax treatment as aviation fuel.³⁷
- Aviation gasoline means “any motor fuel blended or produced specifically for use in aircraft which has been dyed in accordance with federal regulations. Aviation gasoline does not include any such fuel used in any manner other than being placed in the storage tank of an aircraft.”³⁸

Collections of aviation fuel tax in fiscal year 2015-16, after accounting for tax credits and refunds, are estimated to be \$33.6 million.³⁹

Florida Aviation Fuel Tax Exemption

Florida law provides for a refund or credit of the aviation fuel tax paid as follows:

Any licensed wholesaler or terminal supplier that delivers aviation fuel to an air carrier offering transcontinental jet service and that, after January 1, 1996, increases the air carrier’s Florida workforce by more than 1000 percent and by 250 or more full-time equivalent employee positions may receive a credit or refund as the ultimate vendor of the aviation fuel for the 6.9 cents excise tax previously paid.⁴⁰

Any employees that existed before January 1, 1996, are not counted toward reaching the employment threshold, and the wholesaler or terminal supplier can only receive the credit or refund if the air carrier has no facility for fueling highway vehicles from the tank in which the aviation fuel is stored.⁴¹ Further, if before July 1, 2001, the number of full-time equivalent employee positions created or added to the air carrier’s Florida workforce fell below the additional 250, the exemption granted would cease to apply as long as the number of employees remains below the additional 250.⁴²

Accordingly, any air carrier offering transcontinental jet service that is able to meet the employment and other criteria described above, is exempt from paying aviation fuel tax.⁴³ Such qualifying air carriers can purchase aviation fuel from a wholesaler or terminal supplier without having to pay the wholesaler or terminal supplier tax on the fuel.⁴⁴ The wholesaler or terminal supplier, in turn, receives a credit or

³⁴ See section 206.9825, F.S. (The administration of kerosene taxes and aviation gasoline taxes differ from aviation fuel. 206.9825(2)-(3), F.S.)

³⁵ Section 206.9815, F.S.

³⁶ *Id.*

³⁷ See s. 206.9825, F.S.

³⁸ Section 206.9815, F.S.

³⁹ Florida Transportation Revenue Estimating Conference, January 2016.

⁴⁰ *Id.*

⁴¹ *Id.*

⁴² *Id.*

⁴³ *Id.*

⁴⁴ *Id.*

refund on the tax amount that it would otherwise have passed along to the air carrier as a result of its tax payment due on the sale of the fuel or tax amount previously paid.⁴⁵

The Legislature first established the aviation fuel tax credit in 1996⁴⁶ to attract new airlines to Florida. The provisions of the original fuel tax credit expired on July 1, 2001; however, following the events of September 11, 2001, the 2002 Legislature decided to reenact the tax credit policy and did so without providing for an expiration date.⁴⁷

Proposed Changes

First, the bill amends s. 206.9825, F.S., limiting carriers that qualify for the aviation fuel tax exemption to those that increased their Florida workforce by more than 1000 percent and by 250 or more full-time equivalent employee positions between January 1, 1996 and July 1, 2016.

Then, beginning July 1, 2019, the bill repeals the aviation fuel tax exemption altogether and reduces the aviation fuel, kerosene, and aviation gasoline tax rates from 6.9 cents per gallon to 4.27 cents per gallon. The combination of the exemption repeal and tax rate cut is expected to be neutral with respect to total aviation fuel tax collections on a recurring basis.

The bill provides an effective date of July 1, 2016. However, as stated above, the removal of the aviation fuel tax exemption and reduction in tax rates would not be effective until July 1, 2019.

Alcohol and Tobacco Related Taxes and Fees

Taxation of Wine and Cider

Current Situation

Chapter 564 of Florida Statute governs the regulation and taxation of wine and cider. Wine is defined as any beverage made from fresh fruits, berries, or grapes by natural fermentation, including sparkling wines, champagnes, vermouths, and wines fermented with brandy. Wine coolers and other similar beverages are also included.

The tax rates on wines are as follows:

- For wines, other than natural sparkling wines, cider, and malt beverages, containing between 0.5 and 17.259 percent alcohol by volume, \$2.25 per gallon;
- For wines other than natural sparkling wines containing greater than 17.259% alcohol by volume, \$3 per gallon;
- For natural sparkling wines, \$3.50 per gallon;
- For ciders, which are made from the fermentation of apples and contain between 0.5 and 7 percent alcohol by volume, \$0.89 per gallon; and
- For wine coolers and similar beverages, \$2.25 per gallon.

Proposed Changes

The bill amends the definition of cider to include cider made from pears. Consequently, cider made from pears would be taxed at a rate of \$0.89 per gallon as opposed to the current rate of \$2.25 per gallon.

Cruise Lines

⁴⁵ See s. 206.9825(1)(a), F.S.

⁴⁶ Section 21, Ch. 96-323, Laws of Fla

⁴⁷ See s. 5, Ch. 2002-2, Laws of Fla

Current Situation

Cruise Lines must pay beverage tax and cigarette tax for products sold to passengers while in Florida – i.e. while the ship is at port and while the ship is in Florida waters.

Section 565.02, F.S., establishes requirements for licensing and selling alcoholic beverages for passenger vessels engaged exclusively in foreign commerce which have a cabin-berth capacity for at least 75 passengers. Passenger vessels may sell alcoholic beverages for consumption on board only:

- During a period not in excess of 24 hours prior to departure while the vessel is moored at a dock or wharf in a port in Florida;
- At any time while the vessel is located in Florida territorial waters and is in transit to or from international waters.

The permittee must pay to the state an excise tax for beverages sold pursuant to this section, if such excise tax has not previously been paid, in an amount equal to the tax which would be required to be paid on such sales by a licensed manufacturer or distributor.

The Department of Business & Professional Regulation (DBPR) has promulgated a rule applying this taxation framework to the sale of tobacco.⁴⁸

Two percent of excise taxes on alcoholic beverages are deposited into the Alcoholic Beverage and Tobacco Trust Fund to fund the Department of Division of Alcoholic Beverage and Tobacco's operations. The remainder of the revenues are deposited into the General Revenue Fund.⁴⁹ Revenues collected from the surcharge on cigarettes are deposited into the Health Care Trust Fund in the Agency for Health Care Administration,⁵⁰ and are subject to an 8 percent General Revenue surcharge.⁵¹ After deducting the 8 percent General Revenue surcharge and depositing 0.9 percent into the Alcoholic Beverage and Tobacco Trust Fund, remaining revenues collected from the excise tax on cigarettes are distributed as follows⁵²:

- 2.9 percent to the Revenue Sharing Trust Fund for Counties;
- 29.3 percent to the Public Medical Assistance Trust Fund;
- 4.04 percent to the H. Lee Moffitt Cancer Center and Research Institute;
- 1 percent to the Biomedical Research Trust Fund; and
- The remainder to the General Revenue Fund

After deduction of the General Revenue Service Charge, revenues collected from the surcharge on other tobacco products are deposited into the Health Care Trust Fund.⁵³ The tax on other tobacco products is deposited into the General Revenue Fund.⁵⁴

Proposed Changes

The bill replaces the beverage and tobacco taxes that cruise lines currently pay with a new, simplified tax based on ship capacity and the number of times a ship embarks from Florida.

Specifically, the excise tax due will be an amount equal to a “base rate” multiplied by the permittee’s “quarterly capacity” during the calendar quarter. The base rate will be calculated by DBPR based on

⁴⁸ 61A-10.010, F.A.C.

⁴⁹ Section 561.121, F.S.

⁵⁰ Section 210.011, F.S.

⁵¹ Section 215.20, F.S.

⁵² Section 210.20, F.S.

⁵³ Section 210.276, F.S.

⁵⁴ Section 210.70, F.S.

data provided by permit holders, and will be an amount equal to total alcoholic beverage and tobacco-related taxes and surcharges paid by all permit holders between January 1 and December 31, 2015, divided by the sum of the annual capacities of all permitted vessels. Annual capacity is an amount equal to the number of lower berths on a vessel multiplied by the number of embarkations of that vessel during a calendar year. The quarterly capacity is an amount equal to the number of lower berths on a vessel multiplied by the number of embarkations of that vessel during a calendar quarter. A lower berth is a bed which is:

- Affixed to a vessel;
- Not located above another bed in the same cabin; and
- Located in a cabin not in use by employees.

An embarkation is an instance where a vessel departs from a port in Florida.

The new tax will be paid quarterly by each permit holder, less any tax already paid by a licensed manufacturer or distributor pursuant to the Beverage Law or tobacco tax statutes. Each permit holder must report the annual capacity for each of its vessels to the DBPR by August 1, 2016. The department must calculate the base rate by September 1, 2016 and report it to each permit holder.

The revenues from the replacement tax will be distributed in the same manner as taxes on alcoholic beverages under current law.

Other Tobacco Products

Current Situation

Other Tobacco Products (OTP) are defined in s. 210.25(11), F.S., and include items such as pipe tobacco, chewing tobacco, hookah tobacco, and dipping tobacco. Wholesale sales price is defined in s. 210.25(13), F.S., as the established price for which a manufacturer sells a tobacco product to a distributor, exclusive of any diminution by volume or other discounts.

On several occasions in recent years, the DBPR has been faced with litigation regarding the definition of wholesale sales price. For example, the wholesale sales price for the same product can vary depending on if an American manufacturer or an overseas manufacturer is selling the product to a distributor because the Federal Excise Tax is paid at different times during the process. The wholesale sales price for the transaction with the American manufacturer includes Federal Excise Tax, whereas the wholesale sales price for the overseas manufacturer does not.⁵⁵

The OTP tax is 25% of the wholesale sales price and is deposited to General Revenue (GR). The OTP Surcharge is 60% of the wholesale sales price and is deposited to the Health Care Trust Fund, after deducting the 8% GR Service Charge.

Proposed Changes

The bill amends s. 210.25, F.S., to clarify the definitions related to tobacco products other than cigarettes and cigars. In effect, the bill codifies the DBPR's current administration of these laws with respect to domestically-manufactured products, and provides that the wholesale sales price for imported products must include the federal excise tax regardless of who first paid that excise tax.

The bill redefines "wholesale sales price" as the total amount paid by the distributor to obtain tobacco products. It is defined as the sum of:

- The full price paid by the distributor to acquire the tobacco products, including charges by the seller for the cost of materials, cost of labor and service, charge for transportation and delivery,

⁵⁵ *Micjo, Inc. v. Dep't of Bus. & Prof'l Regulation, Div. of Alcoholic Beverages & Tobacco*, 78 So. 3d 124 (Fla. Dist. Ct. App. 2012)

the federal excise tax, and any other charge, even if the charge is listed as a separate item on the invoice paid by the distributor, exclusive of any diminution by volume or other discounts, including a discount extended to a distributor by an affiliate; and

- The federal excise tax paid by the distributor on the tobacco products, if the excise tax is not included in the full price under paragraph (a).

The bill defines “affiliate” to mean “a manufacturer or other person that directly or indirectly, through one or more intermediaries, controls or is controlled by a distributor or that is under common control with a distributor.” This will ensure that the price on which the excise tax is based is not diminished by a discount resulting from an affiliation between the distributor and another entity.

Property Taxation in Florida

Local governments, including counties, school districts, and municipalities have the constitutional ability to levy ad valorem taxes. Special districts may also be given this ability by law.⁵⁶ Ad valorem taxes are collected on the fair market value of the property, adjusting for any exclusions, differentials or exemptions.

All ad valorem taxation must be at a uniform rate within each taxing unit, subject to certain exceptions with respect to intangible personal property.⁵⁷ However, the Florida constitutional provision requiring that taxes be imposed at a uniform rate refers to the application of a common rate to all taxpayers within each taxing unit – not variations in rates between taxing units.⁵⁸

Federal, state, and county governments are immune from taxation but municipalities are not subdivisions of the state and may be subject to taxation absent an express exemption.⁵⁹ The Florida Constitution grants property tax relief in the form of certain valuation differentials,⁶⁰ assessment limitations,⁶¹ and exemptions,⁶² including the exemptions relating to municipalities and exemptions for educational, literary, scientific, religious or charitable purposes.

Economic Development Exemption

Current Situation

Section 196.1995, F.S., allows cities and counties to grant up to a 100 percent exemption from city or county ad valorem taxation for improvements to real property and tangible personal property for a new business or expansion of an existing business. Initially, the city or county calls for a referendum within its total jurisdiction to determine whether the jurisdiction may grant economic development ad valorem exemptions under s. 3, Art. VII of the State Constitution. The referendum can take one of two forms, as selected by the local government conducting the referendum. It can either authorize the city or county

⁵⁶ FLA. CONST. art VII, s. 9,

⁵⁷ FLA. CONST. art VII, s. 2.

⁵⁸ See, for example, *Moore v. Palm Beach County*, 731 So. 2d 754 (Fla. 4th DCA 1999) citing *W. J. Howey Co. v. Williams*, 142 Fla. 415, 195 So. 181, 182 (1940).

⁵⁹ “Exemption” presupposes the existence of a power to tax, while “immunity” implies the absence of it. See *Turner v. Florida State Fair Authority*, 974 So. 2d 470 (Fla. 2d DCA 2008); *Dept. of Revenue v. Gainesville*, 918 So. 2d 250, 257-59 (Fla. 2005).

⁶⁰ FLA. CONST. art VII, s. 4, authorizes valuation differentials, which are based on character or use of property.

⁶¹ FLA. CONST. art VII, s. 4(c), authorizes the “Save Our Homes” property assessment limitation, which limits the increase in assessment of homestead property to the lesser of 3 percent or the percentage change in the Consumer Price Index. S. 4(e) authorizes counties to provide for a reduction in the assessed value of homestead property to the extent of any increase in the assessed value of that property which results from the construction or reconstruction of the property for the purpose of providing living quarters for one or more natural or adoptive grandparents or parents of the owner of the property or of the owner's spouse if at least one of the grandparents or parents for whom the living quarters are provided is 62 years of age or older. This provision is known as the “Granny Flats” assessment limitation.

⁶² FLA. CONST. art VII, s. 3, provides authority for the various property tax exemptions. The statutes also clarify or provide property tax exemptions for certain licensed child care facilities operating in an enterprise zone, properties used to provide affordable housing, educational facilities, charter schools, property owned and used by any labor organizations, community centers, space laboratories, and not-for-profit sewer and water companies.

to grant such exemptions anywhere within its jurisdiction, or only in areas designated as enterprise zones or brownfield areas. Once the referendum measure is approved, specific exemptions are effectuated by enactment of an ordinance. To qualify for the exemption, the improvements must be made or the tangible personal property added after approval by motion or resolution of the local governing body, subject to ordinance adoption, or on or after the adoption of the ordinance. Businesses seeking to take advantage of the exemption must file a written application with the city or county in the year the exemption is desired to take effect to request the adoption of the ordinance and provide supporting information. Once granted, the exemptions remain in effect for up to 10 years with respect to any particular facility, regardless of any change in the authority of the county or municipality to grant such exemption.

Section 196.012, F.S., provides definitions for use in the above exemption. “New business” may include any business or organization located in an enterprise zone or brownfield area that first begins operation there. “Expansion of an existing business” includes any business or organization located in an enterprise zone or brownfield area that increases operations there.

The enterprise zone program expired on December 31, 2015, causing some uncertainty about whether the exemption can be granted to a business in an expired enterprise zone area if the city or county began the process of seeking authorization prior to December 31, 2015, or if exemptions have already been granted within 10 years of the expiration of the enterprise zone program.

Proposed Changes

The bill modifies the definitions of “new business” and “expansion of an existing business” and clarifies that the exemption may be granted to a new or expanding business located in an area which was designated as an enterprise zone as of December 30, 2015, but not a brownfield area, only if the new or expanding business was approved by motion or resolution of the local governing body, subject to ordinance adoption, or by ordinance prior to December 31, 2015. The bill also clarifies that exemptions already granted prior to expiration of the enterprise zone program may continue for up to 10 years regardless of expiration of the enterprise zone program.

The bill also specifies that replacement data center equipment for a data center qualifies for the exemption and provides that the exemption shall remain in effect for 20 years for a data center (as opposed to 10 years for other facilities under current law).

Tourist Development Taxes

Current Situation

Section 125.0104, F.S., authorizes five taxes on transient rental transactions (e.g. bookings at hotels). Depending on a county’s eligibility to levy, the maximum allowable tax rate varies from four to six percent. One of the levies requires voter approval, others may be authorized by vote of the county’s governing authority or referendum approval. The revenues generated by the tax may be used in various ways to promote tourism, including capital construction of tourism-related facilities. The authorized uses of each local option tax vary according to the particular levy.

The tourist development tax (“1 to 2 Percent Tax”) may be levied at the rate of one or two percent. All 67 counties are eligible to levy this tax, and currently 62 levy this tax – all at two percent. Calhoun, Hardee, Lafayette, Liberty and Union counties do not levy any tourist development taxes. Revenue from this tax may be bonded to finance certain facilities and projects, including financing revenue bonds. This tax may only be levied after the ordinance is approved by a majority of voters in a referendum.

An additional tourist development tax of one percent (“Additional 1 Percent Tax”) may be levied by counties who have previously levied a tourist development tax at the one or two percent rate for at least three years. Currently 45 counties levy this tax. Revenue from this tax may be bonded to finance

certain facilities and projects, but may not be used to service debt or refinance facilities receiving funding from a previously levied tourist development tax unless approved by an extraordinary vote of the governing board. This tax may be levied by either extraordinary vote of the county governing board or by approval by a majority of voters in a referendum.

The other taxes authorized by this section include the professional sports franchise facility tax, the additional professional sports franchise facility tax, and the high tourism impact tax. These taxes are applied to the same transactions as the tourist development taxes.

The 1 to 2 Percent Tax and the Additional 1 Percent taxes can be used to fund a wide variety of tourist-related facilities including convention centers, stadiums, aquariums, museums, zoos, tourist information centers & bureaus, and beach facilities and maintenance. Additionally all five taxes authorized by this section may be used to promote and advertise tourism in this state nationally and internationally. If revenues are expended for an activity, service, venue, or event it must have attraction of tourists as one of its main purposes, as evidenced by promotion of the activity, service, venue, or event to tourists. Because of the statutory location and phrasing of this requirement, it may allow for broad interpretation of allowable expenditures.

Prior to levying the tourist development tax, the county must establish a 9-member tourist development council. The council's responsibilities include advising the governing body of the county on effective use of tourist development tax revenues, proposing a plan for the use of such revenues, reviewing expenditures of the revenues and reporting any suspected unauthorized expenditures to the county governing board and the Department of Revenue.

Proposed Changes

The bill provides that, under specified conditions, a county located adjacent to the Gulf of Mexico or the Atlantic Ocean, except a county that receives revenue from taxes levied pursuant to s. 125.0108, F.S.⁶³, may use up to 10% of tourist development tax revenues to reimburse expenses incurred in providing public safety services, including emergency medical services as defined in s. 401.107(3), and law enforcement services, which are needed to address impacts related to increased tourism and visitors to an area, as long as such funds are not used to supplant pre-existing expenditures on such services. To receive reimbursement, a county must:

- Generate a minimum of \$10 million in annual proceeds from any tax, or any combination of taxes, authorized to be levied pursuant to s. 125.0104, F.S.;
- Have at least three municipalities; and
- Have an estimated population of less than 225,000, according to the most recent population estimate prepared pursuant to s. 186.901, excluding the inmate population.⁶⁴

The board of county commissioners must by majority vote approve reimbursement made pursuant to this paragraph upon receipt of a recommendation from the tourist development council.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

See FISCAL COMMENTS below.

⁶³ The Tourist Impact Tax, levied only by Monroe County.

⁶⁴ Currently Bay, Walton and Okaloosa counties meet the conditions necessary to exercise the authority to use tourist development taxes in the manner allowed by the bill with approval of the board of county commissioners.

2. Expenditures:

The bill appropriates \$330,356 in nonrecurring General Revenue to Department of Revenue for the 2016-17 fiscal year. Also see FISCAL COMMENTS below.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

See FISCAL COMMENTS below.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The bill provides for a wide range of tax reductions and modifications designed to directly impact both households and businesses. Direct economic impacts on the private sector include:

- Manufacturers will be able to continue to enjoy the sales tax exemption on certain industrial machinery and equipment with the permanent extension of that exemption. Certain fruit and vegetable packinghouses and metals recyclers will also now be able to make use of this sales tax exemption.
- The back to school sales tax holiday will provide tax relief to Florida consumers.
- Members of veteran's service organizations will see elimination of sales taxes paid on certain food and drink.
- Administrative costs for Florida's cruise industry, associated with alcoholic beverage and tobacco-related taxes will be reduced.

D. FISCAL COMMENTS:

The total impact of the bill in fiscal year 2016-2017 is -\$51.9 million (-\$78.9 million recurring) of which -\$47.1 million (-\$65.9 million recurring) is on General Revenue, +\$1.5 million (+\$1.5 million recurring) is on state trust funds, and -\$6.3 million (-\$14.5 million recurring) is on local government (see table below). Non-recurring General Revenue impacts in years beyond fiscal year 2016-17, total -\$2.8 million. Total tax reductions proposed by the bill are represented by the sum of the recurring impacts, reflecting the annual value of permanent tax cuts when fully implemented, and the pure nonrecurring impacts, reflecting temporary tax reductions. The total of -\$129.0 million in tax reductions proposed by the bill is the sum of -\$78.9 million (recurring), -\$47.3 million (pure nonrecurring in fiscal year 2016-17), and -\$2.8 million (pure nonrecurring after fiscal year 2016-17).

Also the distribution of revenues from the revised tax on alcoholic beverages and tobacco products applicable on certain cruise ships will result in an insignificant recurring gain to General Revenue and an insignificant reduction of the same amount to the Health Care Trust Fund and several other trust funds.

Appropriations Detail—The \$330,356 appropriated in the bill consists of \$229,982 to implement the “back-to-school” sales tax holiday and \$100,374 to implement the measures conforming to recent federal tax code changes. The back-to-school holiday appropriation will pay the cost of mailing a taxpayer information publication to approximately 590,000 sales tax dealers notifying them of the tax free period. Of the appropriation for the federal tax code conformance, \$82,890 is for tax payer notification and the remainder is for computer system reprogramming.

Fiscal Year 2016-17 Estimated Fiscal Impacts (millions of \$)

Issue	General Revenue		State Trust Funds		Local		Total	
	1st Yr	Recur.	1st Yr	Recur.	1st Yr	Recur.	1st Yr	Recur.
<u>Sales Tax</u> : Machinery/Equipment--Manufacturing Exemption Permanent Extension	-	(59.7)	-	(*)	-	(13.4)	-	(73.1)
<u>Sales Tax</u> : Machinery/Equipment--Fruit & Vegetable Packinghouses	(0.8)	(0.9)	(*)	(*)	(0.2)	(0.2)	(1.0)	(1.1)
<u>Sales Tax</u> : Machinery/Equipment--Metal Recyclers	(1.7)	(1.7)	(*)	(*)	(0.5)	(0.5)	(2.2)	(2.2)
<u>Sales Tax</u> : Tax Holiday/"Back-to-School" [Aug 5-7]	(23.3)	-	(*)	-	(5.4)	-	(28.7)	-
<u>Sales Tax</u> : Asphalt Tax Phase-Out	(0.5)	(1.5)	(*)	(*)	(*)	(0.2)	(0.5)	(1.7)
<u>Sales Tax</u> : Veterans' Service Organizations/Food & Drink	(1.2)	(1.4)	(*)	(*)	(0.2)	(0.2)	(1.4)	(1.6)
<u>Corp Inc Tax</u> : Federal Code Conformance Issues	(20.0)	(1.5)	-	-	-	-	(20.0)	(1.5)
<u>Ad Valorem</u> : EDATE Clarification/Enterprise Zones	-	-	-	-	(**)	(**)	(**)	(**)
<u>Aviation Fuel Tax</u> : Exemption Elimination/Rate Cut	-	-	-	-	-	-	-	-
<u>Bev Tax/Tobacco Tax</u> : Cruise Line Tax Simplification	(0.1)	*	(*)	(*)	-	-	(0.1)	-
<u>Bev Tax</u> : Pear Cider Rate Reduction	(0.1)	(0.1)	-	-	-	-	(0.1)	(0.1)
<u>Tobacco Tax</u> : Other Tob Prod/Definition Clarification	0.9	0.9	1.5	1.5	-	-	2.4	2.4
<u>Appropriations</u> : Tax Holidays & Admin	(0.3)	-	-	-	-	-	(0.3)	-
FY 2016-17 Total	(47.1)	(65.9)	1.5	1.5	(6.3)	(14.5)	(51.9)	(78.9)
<u>Non-recurring Impacts After FY 2016-17</u>	<u>Cash</u>		<u>Cash</u>		<u>Cash</u>		<u>Cash</u>	
<u>Corp Inc Tax</u> : Federal Code Conformance Issues	(2.8)	-	-	-	-	-	(2.8)	-
Bill Total	(49.9)	(65.9)	1.5	1.5	(6.3)	(14.5)	(54.7)	(78.9)
Recurring + Pure Nonrecurring (1) =								(129.0)

(*) Impact less than \$50,000; (**) Impact is indeterminate.

(1) Recurring bill total = -\$78.9 million; pure nonrecurring in FY 2016-17 = -\$47.3 million; pure nonrecurring after FY 2016-17 = -\$2.8 million.