

STORAGE NAME: h1207a.bdt

DATE: April 2, 1997

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
BUSINESS DEVELOPMENT AND INTERNATIONAL TRADE
BILL RESEARCH & ECONOMIC IMPACT STATEMENT**

BILL #: HB 1207

RELATING TO: Tax on Sales, Use and Other

SPONSOR(S): Representative Ziebarth

STATUTE(S) AFFECTED: s. 212.0598, F.S.

COMPANION BILL(S): SB 1082(s)

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

- (1) BUSINESS DEVELOPMENT AND INTERNATIONAL TRADE YEAS 7 NAYS 0
 - (2) FINANCE AND TAXATION
 - (3) GENERAL GOVERNMENT APPROPRIATIONS
 - (4)
 - (5)
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I. SUMMARY:

This bill provides a sales tax exemption on the purchase of tangible personal property for major employers and their affiliates that derive the majority of their revenues from the provision of services. The major employers must also increase their Florida workforce by more than 750 employees to qualify for the exemption. The bill limits the amount of the exemption and provides for expiration in 5 years.

This bill has not yet been reviewed by the Revenue Estimating Conference, therefore the fiscal impact is indeterminate at this time.

II. SUBSTANTIVE RESEARCH:

A. PRESENT SITUATION:

Florida's sales and use tax is a 6 percent tax of general applicability which applies to receipts from the sales and use of all tangible personal property unless specifically exempted. Section 212.08, F.S., enumerates specific exemptions to the application of the state's sales and use tax.

There is no existing partial nor full tax exemption for major employers that derive the majority of their revenues from the provision of services and that increase their Florida workforce by more than 750 employees.

B. EFFECT OF PROPOSED CHANGES:

This bill provides a sales tax exemption on the purchase of tangible personal property for major employers that derive the majority of their revenues from the provision of services and that increase their Florida workforce by more than 750 employees.

The bill provides a limitation of \$2 million per year for any major employer that qualifies for the exemption.

The bill provides an expiration date for the exemption of July 1, 2002.

See Section by Section Research.

C. APPLICATION OF PRINCIPLES:

1. Less Government:

a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

No.

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

No.

(3) any entitlement to a government service or benefit?

Yes, the bill provides a sales tax exemption for certain employers.

b. If an agency or program is eliminated or reduced:

(1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

N/A.

(2) what is the cost of such responsibility at the new level/agency?

N/A.

(3) how is the new agency accountable to the people governed?

N/A.

2. Lower Taxes:

a. Does the bill increase anyone's taxes?

No.

b. Does the bill require or authorize an increase in any fees?

No.

c. Does the bill reduce total taxes, both rates and revenues?

Yes, the bill reduces taxes for certain employers.

d. Does the bill reduce total fees, both rates and revenues?

No.

e. Does the bill authorize any fee or tax increase by any local government?

No.

3. Personal Responsibility:

a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

N/A.

- b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

N/A.

4. Individual Freedom:

- a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

N/A.

- b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

N/A.

5. Family Empowerment:

- a. If the bill purports to provide services to families or children:

- (1) Who evaluates the family's needs?

N/A.

- (2) Who makes the decisions?

N/A.

- (3) Are private alternatives permitted?

N/A.

- (4) Are families required to participate in a program?

N/A.

- (5) Are families penalized for not participating in a program?

N/A.

- b. Does the bill directly affect the legal rights and obligations between family members?

No.

- c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

(1) parents and guardians?

N/A.

(2) service providers?

N/A.

(3) government employees/agencies?

N/A.

D. SECTION-BY-SECTION RESEARCH:

Section 1. states legislative intent to further the policies of the State Comprehensive Plan by developing a system of incentives (state tax abatement for certain businesses that create a large number of new jobs) which would enhance the livability and character of urban and other areas, and to promote the use of existing public facilities, and to attract new job-producing industries and corporate headquarters.

The bill adds a subsection (2) to s. 212.0598, F.S. regarding Service Companies. The bill provides that any business that derives the majority of its revenues through the provision of services, or an affiliate of that business, shall not be subject to the tangible personal property tax if the business is a major employer.

The bill defines "major employer" as an employer if, after July 1, 1996, increases its Florida workforce by more than 750 full-time equivalent employee positions. The bill defines an "affiliate" of the major employer as a business that has a contractual relationship with the major employer and shares, in whole or in part, management and ownership with the major employer.

The bill provides that if, before July 1, 2002, the number of full-time equivalent employee positions created or added to the Florida workforce of the business falls below 750, the exemption granted shall not apply during the period in which the business has fewer than the 750 additional employees.

The bill provides that the exemption shall not exceed \$2 million per year for any major employer that qualifies for the exemption, and a severability clause.

Section 2. provides that the act shall take effect July 1, 1997.

III. FISCAL RESEARCH & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

Indeterminate.

2. Recurring Effects:

Indeterminate.

3. Long Run Effects Other Than Normal Growth:

Indeterminate.

4. Total Revenues and Expenditures:

Indeterminate.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

Indeterminate.

2. Recurring Effects:

Indeterminate.

3. Long Run Effects Other Than Normal Growth:

Indeterminate.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

None.

2. Direct Private Sector Benefits:

Major employers that qualify for the tax exemption in this bill will not have to pay sales tax on the purchase of tangible personal property.

3. Effects on Competition, Private Enterprise and Employment Markets:

Indeterminate.

D. FISCAL COMMENTS:

This bill has not yet been reviewed by the Revenue Estimating Conference, therefore the fiscal impact is indeterminate at this time.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to spend funds or to take an action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

The Revenue Estimating Conference has not reviewed this bill. Should this bill have a fiscal impact on counties and municipalities in excess of \$1.4 million, then the provisions of Article VII, Section 18 would apply.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

While this bill will reduce the amount of Local Government Half Cent Sale Tax shared with municipalities and counties, it does not reduce the percentage of a state tax shared with municipalities and counties. Therefore, Article VII, Section 18(b), Florida Constitution does not apply.

V. COMMENTS:

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

VII. SIGNATURES:

COMMITTEE ON BUSINESS DEVELOPMENT AND INTERNATIONAL TRADE:

Prepared by:

Legislative Research Director:

Victoria Minetta

Michael Rubin