

STORAGE NAME: h1273s1a.gg

DATE: April 21, 1998

**HOUSE OF REPRESENTATIVES
AS FURTHER REVISED BY THE COMMITTEE ON
GENERAL GOVERNMENT APPROPRIATIONS
BILL RESEARCH & ECONOMIC IMPACT STATEMENT**

BILL #: CS/HB 1273

RELATING TO: The Tax on Sales, Use, and Other Transactions

SPONSOR(S): The Committee of Finance & Taxation and Representative Barreiro and others

COMPANION BILL(S): SB 500 (s), 1ST ENG/HB 2109 (c)

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

- (1) BUSINESS DEVELOPMENT AND INTERNATIONAL TRADE YEAS 8 NAYS 0
 - (2) FINANCE & TAXATION YEAS 13 NAYS 0
 - (3) GENERAL GOVERNMENT APPROPRIATIONS YEAS 10 NAYS 0
 - (4)
 - (5)
-

I. SUMMARY:

The bill exempt industrial machinery and equipment purchased for use in expanding printing manufacturing facilities or plant units that manufacture, process, compound, or produce for sale items of tangible personal property from sales and use tax. A taxpayer must show to the satisfaction of the Department of Revenue that such items are used to increase the productive output of such business by not less than 10 percent.

The total estimated fiscal impact upon General Revenue Fund is (\$1.9) million for FY 98-99 and (\$2.1) million for FY 99-2000. There will be an insignificant impact on the Solid Waste Management Trust Fund. The estimated fiscal impact upon local governments is (\$0.3) million for FY 98-99 and (\$0.3) for FY 99-2000.

II. SUBSTANTIVE RESEARCH:

A. PRESENT SITUATION:

Subsection 212.08(5), F.S., provides sales tax exemptions for certain items of tangible personal property based on the use of the property. Section 212.08(5)(b), F.S., provides exemptions for new and expanding businesses. Specifically exempt are industrial machinery and equipment purchased for use in new or expanding manufacturing facilities or plant units which manufacture, process, compound, or produce for sale, or for exclusive use in spaceport activities as defined in section 212.02, F.S., items of tangible personal property at fixed locations in this state. To qualify for the expanding business exemption, the property must be used to increase the productive output of the expanded business by not less than 10 percent. Additionally, the exemption for expanded business applies only to the amount of tax imposed in excess of \$50,000 per calendar year.

The current sales and use tax exemption scheme for new and expanding businesses does not apply to the following types of businesses: electric, utility companies, communications companies, phosphate or other solid minerals severance, mining, or processing operations, oil or gas exploration or production operations, publishing firms that do not export at least 50 percent of their finished product out of state, or hotels and restaurants.

B. 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?

No.

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 exempts industrial machinery and equipment purchased for use in expanding printing manufacturing facilities from sales and use taxes.

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?

No.

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

No.

4. Individual Freedom:

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

No.

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

No.

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?

N/A

- 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

C. STATUTE(S) AFFECTED:

Section 212.08, F.S.

D. SECTION-BY-SECTION RESEARCH:

Section 1. Amends paragraph 212.08(b), F.S., to exempt industrial machinery and equipment purchased for use in expanding printing manufacturing facilities or plant units that manufacture, process, compound, or produce for sale items of tangible personal property from sales and use tax. A taxpayer must show to the satisfaction of the Department of Revenue that such items are used to increase the productive output of such business by not less than 10 percent.

Section 2. Provides that the act shall take effect on July 1 of the year in which enacted.

III. FISCAL RESEARCH & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

None.

2. Recurring Effects:

Revenues:

General Revenue Fund

FY 98-99

FY 99-00

(\$1.9M)

(\$2.1M)

Expenditures:

None.

3. Long Run Effects Other Than Normal Growth:

None.

4. Total Revenues and Expenditures:

See 1. and 2. above.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

None.

2. Recurring Effects:

Revenues:

	<u>FY 98-99</u>	<u>FY 99-00</u>
Local Option Sales Tax	(\$0.1M)	(\$0.1M)
Local Half-Cent Tax	(\$0.2M)	(\$0.2M)
Total	(\$0.3M)	(\$0.3M)

Expenditures:

None.

3. Long Run Effects Other Than Normal Growth:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

None.

2. Direct Private Sector Benefits:

The bill creates new sales and use tax exemptions for the printing industry.

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

To the extent that this bill induces the expansion of existing printing businesses and the location of additional businesses in this state, the bill could have a positive impact on business growth and job creation in this state.

D. FISCAL COMMENTS:

None.

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:**

Although the bill will reduce the authority of cities and counties to raise revenues, the impact is expected to be insignificant and the bill is therefore exempt from the provisions of Article VII, Section 18(b), Florida Constitution.

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

Although the bill will reduce the amount of Local Government Half Cent Sales Tax shared with cities and counties, it does not reduce the percentage of a state tax shared with cities and counties. Therefore, the bill is exempt from the provisions of Article VII, Section 18(b), Florida Constitution.

V. **COMMENTS:**

None.

VI. **AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:**

On April 2, 1998, the Committee on Finance and Taxation adopted a strike-everything amendment that removed the original provisions of the bill and replaced them with the tax exemption for the printing industry discussed above. The bill was made into a committee substitute.

VII. **SIGNATURES:**

COMMITTEE ON BUSINESS DEVELOPMENT AND INTERNATIONAL TRADE:

Prepared by:

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APPROPRIATIONS:

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