

STORAGE NAME: h3395s1.ft
DATE: March 20, 1998

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
FINANCE AND TAXATION
BILL RESEARCH & ECONOMIC IMPACT STATEMENT**

BILL #: CS/HB 3395

RELATING TO: Tax on sales, use, and other transactions

SPONSOR(S): Committee on Finance & Taxation, Representative Starks and others

COMPANION BILL(S): SB 936

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

- (1) FINANCE AND TAXATION YEAS 15 NAYS 0
 - (2)
 - (3)
 - (4)
 - (5)
-

I. SUMMARY:

The Committee Substitute for House Bill 3395 amends the definition of "religious institutions" that are exempt from sales tax to include any nonprofit 501(c)(3) corporation whose primary function is to make and distribute religious audio recordings to blind or visually impaired persons at no charge. The bill also amends the definition of "religious institutions" to include any nonprofit 501(c)(3) corporation whose primary function is to provide, upon invitation, religious or evangelistic services, religious education, or missionary activities for churches, synagogues, or other established places of worship.

There is a negative fiscal impact of \$.5 million to General Revenue in FY 98-99 and \$.6 million in FY 99-00. There is a negative insignificant impact to local government and the Solid Waste Management Trust Fund for both FY 98-99 and FY 99-00.

II. SUBSTANTIVE RESEARCH:

A. PRESENT SITUATION:

Chapter 212, F.S., provides for the taxation on certain transactions, as well as, exemptions from the taxes levied in this chapter. Generally, it is the policy of the state to tax the privilege of engaging in the business of selling tangible personal property at retail, renting or furnishing things or services, storing for use or consumption, and leasing or renting tangible personal property. The rate of taxation in Florida is six percent of the sales or use price of each item or article of tangible personal property when sold at retail, computed on each taxable sale or use for the purpose of remitting the amount of tax due the state.

In addition to the state rate of 6 percent, local governments are authorized to levy one or more of six types of Local Discretionary Sales Surtaxes, ranging from up to 0.5 percent to 1.0 percent each.

Section 212.08(7), F.S., establishes a number of miscellaneous sales tax exemptions, including sales and leases to religious, charitable, scientific, educational, and veterans' institutions and organizations. Paragraph (o)2.a., specifically establishes an exemption from the payment of sales tax for "Religious Institutions." "Religious Institutions" are defined as "churches, synagogues, and established physical places for worship at which nonprofit religious services are regularly conducted". "Religious Institutions" also includes:

- nonprofit corporations whose sole purpose is to provide free transportation to church members and their families.
- state, district, or other governing or administrative offices whose functions are to assist or regulate the activities of religious organizations or members.
- nonprofit corporations qualified as nonprofit pursuant to s. 501(c)(3), United States Internal Revenue Code of 1986, as amended, which owns a Florida television station, at least ninety percent of the programming of which station consist of programs of a religious nature, and the financial support of which, exclusive of receipts for broadcasting from other nonprofit organizations, is predominantly from contributions from the general public.
- nonprofit corporations qualified as nonprofit pursuant to s. 501(c)(3), United States Internal Revenue Code of 1986, as amended, which provides regular religious services to Florida state prisoners and which from its own established physical place of worship, operates a ministry providing worship and services of a charitable nature to the community on a weekly basis.

Religious, charitable, scientific, and educational institutions must obtain a tax exemption certificate from the Department of Revenue to make tax exempt purchases and enter into tax exempt leases. The exemption certificate must be renewed every five years. According to the Department of Revenue, there were 9,997 total applications in 1997. Of those applications, 2,620 were approved and 7,377 were denied. As of December 31, 1997, there were 19,182 Certificates of Exemption outstanding under the Religious institution category.

B. EFFECT OF PROPOSED CHANGES:

The bill amends 212.08(7)(o), F.S., to include in the definition of "religious institutions" the following:

1. any nonprofit 501(c)(3) corporation whose primary function is to make and distribute religious audio recordings to blind or visually impaired persons at no charge.
2. any nonprofit 501(c)(3) corporation whose primary function is to provide, upon invitation, religious or evangelistic services, religious education, or missionary activities for churches, synagogues, or other established places of worship.

The bill will take effect on July 1 of the year enacted.

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?

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?

No.

(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?

No.

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?

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. STATUTE(S) AFFECTED:

212.08(7)(o), F.S.

E. SECTION-BY-SECTION RESEARCH:

N/A.

III. FISCAL RESEARCH & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

None.

2. Recurring Effects:

General Revenue	<u>FY 98-99</u>	<u>FY 98-99</u>
Solid waste Management T.F.	(.5M)	(.6M)
	(insig.)	(insig.)

3. Long Run Effects Other Than Normal Growth:

None.

4. Total Revenues and Expenditures:

Total	<u>FY 98-99</u>	<u>FY 98-99</u>
	(.5M)	(.6M)

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

None.

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2. Recurring Effects:

Negative insignificant.

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 eliminates the sales tax paid by organizations who make audio recording for distribution to the blind or who perform certain types of religious services on behalf of other religious institutions.

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

None.

D. **FISCAL COMMENTS:**

N/A

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

A. **APPLICABILITY OF THE MANDATES PROVISION:**

None.

B. **REDUCTION OF REVENUE RAISING AUTHORITY:**

None.

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

None.

V. COMMENTS:

N/A

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VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

N/A

VII. SIGNATURES:

COMMITTEE ON FINANCE AND TAXATION:

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