

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based only on the provisions contained in the legislation as of the latest date listed below.)

Date: March 9, 1998 Revised: \_\_\_\_\_

Subject: Sales Tax Exemption/Machinery and Equipment Used in Eligible Printing or Publishing Firms

	<u>Analyst</u>	<u>Staff Director</u>	<u>Reference</u>	<u>Action</u>
1.	<u>Keating</u>	<u>Beggs</u>	<u>WME</u>	<u>Favorable</u>
2.	<u>Keating</u>	<u>Smith</u>	<u>WM</u>	<u>Favorable</u>
3.	_____	_____	<u>CM</u>	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____

**I. Summary:**

This bill eliminates the \$50,000 threshold for sales tax paid by printing and publishing firms in order for such firms to qualify for the sales tax exemption on machinery and equipment purchased for use by an expanding business.

This bill substantially amends section 212.08(5)(b) of the Florida Statutes.

**II. Present Situation:**

Paragraph (b) of subsection (5) of s. 212.08, F.S., currently provides a sales and use tax exemption, with some exceptions, for industrial machinery and equipment purchased for use and installation in new and expanding manufacturing plants in Florida. Industrial machinery and equipment is defined to an extent in statute and more explicitly in rules, and includes both specialized industry equipment and some multi-purpose equipment such as computers which are increasingly used to automate production.

New businesses qualify for the tax exemption on the purchase of industrial machinery and equipment if the machinery and equipment are: 1) used at a fixed location, 2) used to manufacture, process, compound or produce a product for sale, or exclusive use in spaceport activities, 3) purchased before production begins, and 4) delivered within 12 months from the start of production.

Expanding businesses qualify for the tax exemption on the purchase of industrial machinery and equipment if the machinery and equipment are: 1) used at a fixed location, 2) used for expanding facilities and plants that manufacture, process, compound, or produce a product for sale, or for exclusive use in spaceport activities, and 3) shown affirmatively to be used to increase

productivity by 10 percent or more. The expanding business must pay the first \$50,000 of the sales tax per calendar year prior to receipt of an exemption for any tax in excess.

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.

### **III. Effect of Proposed Changes:**

The bill amends s. 212.08 (5) (b), F.S., eliminating for printing and publishing firms, the provision that in order to qualify for the sales tax exemption, such expanding businesses must pay the first \$50,000 of the sales tax on the machinery and equipment purchased for use in the expansion.

The bill provides for an effective date of July 1, 1998.

### **IV. Constitutional Issues:**

#### **A. Municipality/County Mandates Restrictions:**

This bill initially falls under subsection (b) of s. 18, Art. VII, State Constitution. Subsection (b) requires a two-thirds vote of the membership of each house in order to enact a general law reducing the authority that municipalities and counties had on February 1, 1989 to raise revenues in the aggregate. By adding an exemption to the state sales tax, the bill has the effect of adding an exemption to the local option county sales surtax. Since the annual local revenue loss is estimated to be less than \$1.4 million, the bill will be exempt from the requirements of subsection (b) due to the insignificant negative fiscal impact as permitted under subsection (d) of s. 18, Art. VII, State Constitution. (See subsection (d) of s. 18, Art. VII, State Constitution, for various types of general laws, including those with insignificant fiscal impact.)

#### **B. Public Records/Open Meetings Issues:**

None.

#### **C. Trust Funds Restrictions:**

None.

**V. Economic Impact and Fiscal Note:**

**A. Tax/Fee Issues:**

The elimination of the \$50,000 threshold for sales tax paid by printing and publishing firms qualifying for the expanding business sales tax exemption is estimated to result in an annual revenue loss of \$3.7 million in state general revenue, and \$.5 million in local revenue. The Solid Waste Management Trust Fund should see a negative insignificant revenue loss.

Issue/Fund	General Revenue		Trust		Local		Total	
	1st Year	Recurring	1st Year	Recurring	1st Year	Recurring	1st Year	Recurring
Elimination of \$50,000 Threshold	\$ (3.4)	\$ (3.7)	\$ (*)	\$ (*)	\$ (0.5)	\$ (0.5)	\$ (3.9)	\$ (4.2)

\* Insignificant

\*\* Indeterminate

**B. Private Sector Impact:**

The tax exemption may benefit and encourage qualifying expanding printing and publishing firms to invest in printing and publishing machinery and equipment in Florida. The expansions of such firms may, in turn, spur economic growth and employment opportunities.

**C. Government Sector Impact:**

The Department of Revenue does not anticipate the need for additional resources to administer the bill.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Amendments:**

None.