

## 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: April 27, 1998 Revised: \_\_\_\_\_

Subject: Sales Tax Exemption/Gasparilla

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			WM	Withdrawn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			CM	Withdrawn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

### I. Summary:

This bill provides an exemption from the tax on sales, use, and other transactions for sales or leases to the Gasparilla Distance Classic, Inc. If that organization has a current exemption from federal income tax liability.

This bill substantially amends section 212.08, Florida Statutes.

### II. Present Situation:

Chapter 212, F.S., provides for the taxation on and exemption from transactions. Generally, it is the policy of the state to tax every person who engages 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 6 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, and including each and every retail sale.

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.b., specifically establishes an exemption from the payment of sales tax for "charitable institutions." "Charitable Institutions" are defined as corporations qualified as nonprofit pursuant to s. 501(c)(3), United States Internal Revenue Code of 1954, as amended, and other nonprofit entities, whose "sole or primary function" is to directly provide one

or more of the following services, if a reasonable percentage of the services is provided free of charge or at a substantially reduced rate:

- Medical aid;
- Regular provision of physical necessities such as food, clothing and shelter;
- Services to prevent alcoholism, drug abuse or suicide, or to alleviate mental, physical or sensory health problems;
- Social welfare services, including adoption placement, child care or care for the elderly;
- Medical research;
- Legal services; and
- Food, shelter, medical care, adoption services, cruelty investigations, or education programs concerning animals.

According to the Department of Revenue, for the period of July 1 through December 31, 1995, sales tax exemption certificates were renewed for 520 charitable institutions and revoked for 124. Of 898 new applications for exemption, 154 were approved and 744 were denied.

According to the sponsor, the Gasparilla Distance Classic Association, Inc. is a benevolent institution who's sole purpose is to raise funds for charities in the surrounding communities through the organizing, staging, and promoting of the Gasparilla Distance Classic foot race. The Gasparilla Distance Classic is considered to be one of the premier race events of its type and has an international drawing.

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

The bill establishes a sales tax exemption for to the Gasparilla Distance Classic Association, Inc.

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

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

This committee substitute 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 committee substitute also has the effect of adding an exemption to the local option county sales surtax. However, since the annual local revenue loss is anticipated to be less than \$1.4 million, the committee substitute appears to be exempt from the requirements of subsection (b) due to insignificant fiscal impact. See subsection (d) of s. 18, Art. VII, State Constitution, providing exemptions from all requirements of section 18 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:**

Issue/Fund	<u>General Revenue</u>		<u>Trust</u>		<u>Local</u>		<u>Total</u>	
	1st Year	Recurring	1st Year	Recurring	1st Year	Recurring	1st Year	Recurring
	\$( *)	\$( *)	\$( *)	\$( *)	\$( *)	\$( *)	\$( *)	\$( *)

\* Insignificant

**B. Private Sector Impact:**

The Gasparilla Distance Classic Association, Inc. will be exempt from payment of sales tax.

**C. Government Sector Impact:**

None.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Amendments:**

None.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.