

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.)

BILL: SB 2374

SPONSOR: Senator Cowin

SUBJECT: Nonprofit Water Systems

DATE: March 31, 1999

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Keating</u>	<u>Wood</u>	<u>FR</u>	<u>Favorable</u>
2.	_____	_____	<u>CM</u>	_____
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____

I. Summary:

The bill exempts certain nonprofit water systems from the sales and use tax.

This bill substantially amends, creates, or repeals the following sections of the Florida Statutes: 212.08(7)

II. Present Situation:

The State of Florida levies a 6% sales tax on most sales of tangible personal property in the state and on some services. The statutes currently provide more than 150 exemptions from the sales tax. Exemptions generally take the form of identifying specifically exempt items, exempting items when used for particular purposes, and exempting certain types of organizations, such as the government, churches, and charitable organizations. Section 212.08(7), F.S., provides for over 50 miscellaneous exemptions.

III. Effect of Proposed Changes:

The amends s. 212.08(7), F.S., by adding a new paragraph (zz), which provides a specific exemption for sales or leases to Florida corporations that: 1) are incorporated pursuant to chapter 617, F.S., ; 2) hold a current exemption from federal income tax pursuant to s. 501(c)(3), I.R.C.; and 3) have as their primary function, the construction, maintenance, or operation of a water system in Florida.

The bill will take effect July 1, 1999.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

This bill initially falls under subsection (b) of section 18 of Article VII, Florida 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 section 18 of Article VII. (See subsection (d) of s. 18, Art. VII, Florida 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 Revenue Estimating Conference estimates that the exemption for qualified corporations which construct, maintain, or operate water systems in Florida will result in a recurring loss to the General Revenue Fund of \$600,000.

Issue/Fund	General Revenue		Trust		Local		Total	
	1st Year \$	Recurring \$	1st Year \$	Recurring \$	1st Year \$	Recurring \$	1st Year \$	Recurring \$
Sales Tax Exemption: Water Systems	(0.5)	(0.6)	(*)	(*)	(*)	(*)	(0.5)	(0.6)

* Insignificant
** Indeterminate

B. Private Sector Impact:

Corporations qualifying for this exemption will benefit from not having to pay sales and use tax on the purchase or lease of tangible personal property.

C. Government Sector Impact:

The Department of Revenue would like the effective date of the bill changed from July 1, 1999 to January 1, 2000. A July 1 effective date does not give the department a sufficient time frame to adequately implement the law. The department must identify affected taxpayers and may be required to create forms, change internal processes, draft and promulgate rule amendments, prepare a Taxpayer Information Publication (TIP) to be sent to affected parties, and otherwise notify the public on how to comply with the new tax law. A January 1 effective date will allow the department to devote more time and effort to execute a more thorough and better planned implementation, resulting in increased compliance by affected taxpayers.

VI. Technical Deficiencies:

None.

VII. Related Issues:

HB 1925 is identical to SB 2374.

VIII. Amendments:

None.