

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 52

SPONSOR: Senator Bronson

SUBJECT: Sales and Use Tax Exemptions

DATE: March 22, 2000

REVISED: 04/25/00 _____

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

I. Summary:

This bill would provide an exemption from the tax on sales, use and other transactions for a facility, school, or business that trains aircraft pilots and flight crews for approval, certification, or regulation by the FAA or a comparable foreign regulatory authority.

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

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 200 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 58 miscellaneous exemptions.

In addition to the state rate of 6 percent, local governments are authorized, pursuant to s. 212.055, F.S., 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, for a maximum rate of 1.5 percent.

Pursuant to section 212.054, F.S., the local discretionary sales surtaxes apply to all transactions subject to the state tax imposed on sales, use, services, rentals, admissions, and other authorized transactions. The surtax is computed by multiplying the rate imposed by the county where the sale occurs by the amount of taxable sale. The sales amount is not subject to the surtax if the property or service is delivered within a county that does not impose a surtax. In addition, the tax is not subject to any sales amount above \$5,000 on any item of tangible personal property and on long distance telephone service. The \$5,000 cap does not apply to the sale of any other service.

III. Effect of Proposed Changes:

This bill would create paragraph (ggg) within subsection (7) of section 212.08, Florida Statutes, providing an exemption from the tax on sales, use, and other transactions for a facility, school, or business that trains aircraft pilots and flight crews, as provided under Part 142 of the Federal Aviation Administration (FAA) regulations, for approval, certification, or regulation by the FAA or a comparable foreign regulatory authority.

The bill takes effect July 1, 2000.

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 the fiscal impact of providing a sales tax exemption on purchases or leases to certain flight schools, to be a recurring loss to the General Revenue Fund of \$4.3 million and a recurring \$0.7 million loss to local governments.

Issue/Fund	General Revenue		Trust		Local		Total	
	1st Year \$	Recurring \$	1st Year \$	Recurring \$	1st Year \$	Recurring \$	1st Year \$	Recurring \$
Flight School Exempt.	(3.9)	(4.3)	(*)	(*)	(0.7)	(0.7)	(4.6)	(5.0)

* Insignificant
 ** Indeterminate

B. Private Sector Impact:

Qualifying flight training facilities would not be subject to sales and use tax on their purchases or leases.

C. Government Sector Impact:

The Department of Revenue will have to incur the cost of issuing a Taxpayer Information Publication (TIP) to be sent to specific registered businesses that would be impacted by this bill.

VI. Technical Deficiencies:

The DOR would like the effective date of the bill changed from July 1, 2000 to January 1, 2001. 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.

VII. Related Issues:

HB 1427 is similar to SB 52.

VIII. Amendments:

#1 by Fiscal Resource:

(WITH TITLE AMENDMENT)

Changes the sales tax exemption for a facility, school, or business that trains aircraft pilots and flight crews for approval, certification, or regulation by the FAA or a comparable foreign regulatory authority, from a point-of-sale exemption to a refund.

#2 by Fiscal Resource:

(WITH TITLE AMENDMENT)

Amends s. 212.08(4)(a), F.S., modifying the sales tax exemption for bottled water to remove the restriction that such water must contain “minerals” in its natural state or “minerals” must be added at a water treatment facility in order to qualify for the exemption.

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