

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: CS/SB 804

SPONSOR: Fiscal Resource Committee, Senator Saunders and Clary

SUBJECT: Entertainment Industry Incentives

DATE: April 25, 2000 REVISED: _____

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

I. Summary:

SB 804 creates s. 288.1258, F.S., to provide a single application process for qualified entertainment industry production companies for a certificate of exemption applying to taxes relating to the entertainment industry that are covered under ss. 212.031, 212.06, and 212.08, F.S.

The bill also changes the current sales and use tax refund in s. 212.08(5)(f), F.S., relating to certain motion picture or video equipment and sound recording equipment, to a point of sale exemption. The bill also provides for information sharing between the Department of Revenue and the Office of the Film Commissioner.

This bill substantially amends, creates, or repeals the following sections of the Florida Statutes: 288.1258, 212.031, 212.06, 212.08, and 213.053.

II. Present Situation:

Chapter 99-251, L.O.F., created the Office of the State Film Commissioner within the Office of Tourism, Trade and Economic Development (OTTED) to develop and promote the states entertainment industry. The Office is directed, among other things, to develop and implement a 5-year strategic plan, develop a methodology for providing service to the industry, and serve as a liaison between government and the entertainment industry and between the entertainment industry and labor interests. The Office is authorized to expend funds on travel and entertainment for certain business clients and certain business-related functions. The new law also created the Florida Film Advisory Council, to be administratively housed within OTTED, to provide industry direction on promoting the growth of the entertainment industry in the state, to advise on the 5-year strategic plan, and to provide other advice and direction to help the Office of the Film Commissioner to function effectively and efficiently.

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.

Florida's sales tax code contains three exemptions related to entertainment industry sales activities. The administrative activities associated with these are the responsibility of the Department of Revenue.

- Section 212.031(1)(a)9., provides an exemption on the lease or rental of real property used as an integral part of the performance of qualified production services.
- Section 212.08(5)(f), provides a refund on sales taxes paid on motion picture or video equipment and sound recording equipment that is purchased or leased for use in this state in certain specific entertainment production activities. Equipment must meet the definition of "Section 38 Property" as defined in s. 48(a)(1)(A) and (B)(I) of the Internal Revenue Code.
- Section 212.08(12), provides a partial exemption on the sale of master tapes, records, films, or video tapes.

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, 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:

The bill creates s. 288.1258, F.S., to provide a single application process for qualified entertainment industry production companies for a certificate of exemption applying to taxes under ss. 212.031, 212.06, and 212.08, F.S., relating to the entertainment industry. The Office of the Film Commissioner (Office) is directed to work with the Department of Revenue (DOR) and local film commissions to develop an application form for qualifying production companies. The DOR must review all submitted applications for the required information within 10 working days after receipt and is directed to forward a completed application to the Office for approval. The DOR shall issue a numbered certificate of exemption within 5 working days of receipt of an approved application. Two exemption certificate categories are provided: a one-year certificate and a 90-day certificate. Finally, the application process provides a mechanism for obtaining information on the level of production activated in the state.

Issue/Fund	1st Year	Recurring	1st Year	Recurring	1st Year	Recurring	1st Year	Recurring
From refund to point-of-collection exemption	(1.5)	(3.5)	(*)	(*)	(0.2)	(0.5)	(1.7)	(4.0)

* Insignificant

** Indeterminate

B. Private Sector Impact:

The bill changes a sales tax refund to a point-of-sale exemption, thereby, increasing the opportunity that entertainment industry companies will benefit from the tax break and may increase their entertainment production in Florida.

C. Government Sector Impact:

The Department of Revenue will no longer have to issue a refund of sales tax paid on motion picture or video equipment and sound recording equipment that is purchased or leased for use in Florida in certain specific entertainment production activities.

VI. Technical Deficiencies:

None.

VII. Related Issues:

HB 743 is identical to SB 804 and SB 884 is similar to SB 804.

VIII. Amendments:

None.

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