

TAX: Sales and use

ISSUE: PUBLIC WORKS CONTRACTORS

BILL NUMBER(S): SB1764 / HB 1151

SPONSOR(S): SEN. POSEY

MONTH/YEAR COLLECTION IMPACT BEGINS:

DATE OF ANALYSIS: 3/29/01

SECTION 1: NARRATIVE

a. Current Law:

Section 212.08(6), F.S., provides an exemption for direct purchases of tangible personal property by governmental entities. That statute specifically provides that it does not extend to purchases by contractors of tangible personal property to be incorporated into public facilities under contracts with the governmental entities that own those facilities.

b. Proposed Change:

Section 1 of the bill amends s. 212.08(6), F.S., to provide that public works contractors are taxable on materials incorporated into the public facility unless the conditions of s. 212.08(18), F.S., are met. The bill adds subsection (18) to s. 212.08, F.S., to provide a mechanism to permit public works contractors to claim exemption on purchases made by the contractor. The exemption applies only to governmental entities with current consumer's certificates of exemption issued by the Department. It applies only to materials that are incorporated into the public facility and does not extend to consumable supplies used by the contractor that do not become part of the facility.

SECTION 2: DESCRIPTION OF DATA & SOURCES

Data on public construction expenditures by level of government was obtained from EDR. A survey of use of direct purchase by local governments was obtained from advocates of the proposal.

SECTION 3: ASSUMPTIONS & RATIONALE

SECTION 4: METHODOLOGY

See attached spreadsheet.

SECTION 5: IMPACT SUMMARY (DETAILS ATTACHED)

State Impact - All Funds	FY 2001-2002 Annualized	FY 2001-2002 Cash	FY 2002-2003 Cash
High			
Middle	(\$86.5m)	(\$79.3m)	(\$90.0m)
Low			

Consensus Estimate Adopted: 3 / 30/01	FY 2001-2002 Annualized	FY 2001-2002 Cash	FY 2002-2003 Cash
General Revenue	(76.1)	(69.8)	(79.2)
Sol: & Waste Man. T.F.	(.2)	(.2)	(.2)
Total State Impact	(76.3)	(70.0)	(79.4)
Local Tax Impact	(15.3)	(14.0)	(15.9)
Total Impact	(91.6)	(84.0)	(95.3)

Local Gov't Half Cent	(7.6)	(7.0)	(7.9)
Local Option Sales	(5.1)	(4.6)	(5.3)
Revenue Sharing	(2.6)	(2.4)	(2.7)

Analysis of certificate of exemption provision for governmental entities -

Value of public permits - 2000 (\$000's)

	Local	State	Federal	Total
Commercial Office Buildings	73,907	34,815	8,860	117,582
Conservation and Development	806	0	0	806
Educational	1,240,581	219,991	1,385	1,461,957
Highways and Streets	780,205	1,400,157	28,960	2,209,322
Hospital and Institutional	41,779	10,915	28,952	81,646
Hotels and Motels	7,273	85,592	45,521	138,386
Industrial Buildings	9,226	190	32,213	41,629
Multi Family Residential	28,257	0	22,800	51,057
Other Buildings	991,215	117,471	43,532	1,152,218
Other Commercial Buildings	148,984	2,716	38,829	190,529
Other Construction	1,810,375	94,729	140,182	2,045,286
Religious	25	4,000	0	4,025
Single Family Residential	30,258	8,157	4,069	42,484
Telecommunications	5,096	0	0	5,096
	5,167,987	1,978,733	395,303	7,542,023

Survey of direct purchase use by local gov't

	Use direct purchase	% Under dir purch	Pop'n	Pop'n weighted % DP
Sarasota County	y	28%	223,558	6.21%
Hialeah	y	75%	209,415	15.59%
Pembroke Pines	y	60%	112,692	6.71%
Clearwater	y	95%	102,874	9.70%
Gainesville	y	10%	100,315	1.00%
Plantation	y	15%	78,952	1.18%
Ocala	y	20%	44,718	0.89%
Titusville	y	25%	41,706	1.03%
Ocoee	y	100%	21,653	2.15%
Naples	y	50%	21,233	1.05%
Lake City	y	90%	10,304	0.92%
Cape Canaveral	y	100%	8,731	0.87%
Longboat Key	y	70%	6,730	0.47%
Live Oak	y	70%	6,589	0.46%
Green Cove Springs	y	15%	5,048	0.08%
Indialantic	y	100%	3,111	0.31%
Daytona Beach Shores	y	50%	2,926	0.15%
Malone	y	100%	2,331	0.23%
Davenport	y	35%	2,127	0.07%
Mexico Beach	y	60%	1,042	0.06%
Penney Farms	y	90%	609	0.05%
Laurel Hill	y	100%	606	0.06%
Glen Ridge	n	0%	223	0.00%

59% 1,007,493 49.23%

Highway construction will be eliminated since asphalt tax is being phased out.

	Local	State	Federal
Non - highway totals	4,387,782	578,576	366,343
Assume that 50% is materials	2,193,891	289,288	183,172
% contractor purchase	50.77%	50.00%	100.00%

Tax loss 66,830 8,679 10,990

Total tax loss 86,499