

TAX: Sales and Use

ISSUE: Physical fitness facilities

BILL NUMBER(S): HB 117

SPONSOR(S): REP. HARRELL

MONTH/YEAR COLLECTION IMPACT BEGINS: 7/01/2002

DATE OF ANALYSIS: 1/14/02

SECTION 1: NARRATIVE

a. Current Law:

Currently, dues and fees paid to private clubs and membership clubs providing athletic, exercise, or physical fitness facilities are considered "admissions" and are thus subject to sales tax. The 1990 legislature added "physical fitness facilities" to the definition of "admissions" in s. 212.02(1), F.S.

b. Proposed Change:

Amends s. 212.02(1), F.S., to remove from the definition of "admissions" dues and fees paid to private clubs and membership clubs that provide physical fitness facilities (including athletic, exercise, and fitness facilities). Therefore, dues and fees paid to private clubs or membership clubs providing physical fitness would no longer be subject to sales tax under s. 212.04, F.S., even when those physical fitness facilities have a swimming pool, tennis court, basketball court, or any other type of recreational facilities. Facilities having a swimming pool, tennis court, basketball court, or any other type of recreational facilities, but not physical fitness facilities, remain taxable.

SECTION 2: DESCRIPTION OF DATA & SOURCES

Data on revenues of physical fitness facilities in Florida in 1997 was obtained by DOR in the 2000 session. The data came from the U.S. Census Bureau. The department also spoke with industry sources in 2000 and feels that the data obtained are an accurate reflection of the size of this industry in Florida. The total receipts of NAICS industry 7139402 in 1997 in Florida were \$264.6m. This industry consists of establishments engaged in operating membership and non-membership gymnasiums, athletic clubs, and other physical fitness centers for activities such as weight reducing, strength development, or weight training.

SECTION 3: ASSUMPTIONS & RATIONALE

The figure for 1997 is grown to 2002 by population growth. Population growth in Florida between 1990 and 2000 averaged about 2.13% per year, for a cumulative total of 23.5%. This implies 2002 revenues of \$294.0m for NAICS 7139402 in Florida. Some revenue received by this industry comes from sources other than admissions (i.e., t-shirts, beverages, etc.). Based on discussions with industry sources DOR believed that 90% of revenue could be attributed to membership fees.

SECTION 4: METHODOLOGY

$\$294.0m \times .9 \times .06 = \$15.9m$

out year figure allows for population growth from 2001 to 2002.

SECTION 5: IMPACT SUMMARY (DETAILS ATTACHED)

State Impact - All Funds	FY 2002-2003 Annualized	FY 2002-2003 Cash	FY 2003-2004 Cash
High			
Middle	(\$15.9m)	(\$14.9m)	(\$16.2m)
Low			

Consensus Estimate Adopted: 1/17/02	FY 2002-2003 Annualized	FY 2002-2003 Cash	FY 2003-2004 Cash
General Revenue Sol: & Waste Management T.F.	(14.0) (insignificant)	(13.1) (insignificant)	(14.2) (insignificant)
Total State Impact	(14.0)	(13.1)	(14.2)
Local Tax Impact	(2.8)	(2.6)	(2.9)
Total Impact	(16.8)	(15.8)	(17.1)
Revenue Sharing	(.5)	(.5)	(.5)
Local Half Cent	(1.4)	24 (1.3)	(1.4)
Local Option	(.9)	(.1)	(1.0)