

REVENUE ESTIMATING CONFERENCE

TAX: Corporate Income Tax
ISSUE: Employee Fitness Tax Credit
BILL NUMBER(S): CS/SB 1230
SPONSOR(S):
MONTH/YEAR COLLECTION IMPACT BEGINS: January 01, 2007
DATE OF ANALYSIS: 04/13/2006

SECTION 1: NARRATIVE

a. Current Law: At present the current law gives no tax credits for corporations who promote employee fitness programs.

b. Proposed Change: Corporate taxpayers would be allowed credits against any tax due for a taxable year based on a percentage of the expenditure and the type of expenditures used to promote employee fitness. A tax credit of 10% of the total expenditure will be granted for equipping, operating, and maintaining a fitness facility on-site or located else where. A credit of 10% of the total expenditure will be granted for equipping and providing any related financial support for an amateur athletic team. A tax credit will be given for 10% of half the costs of employing a qualified person to instruct employees about fitness on the taxpayer’s premises and/or 10% of the cost of subsidizing membership to a health club. The tax credits cannot exceed 50% of the tax due in any taxable year and cannot exceed \$50 per employee.

SECTION 2: DESCRIPTION OF DATA AND SOURCES

U.S. Census Bureau – Estimates on number of corporations, number of employees, and number of establishments
 Fitness Pro – Estimated cost of equipping a fitness center
 Fitness Equipment Superstore – Estimated cost of equipping a fitness center

SECTION 3: METHODOLOGY (INCLUDE ASSUMPTIONS AND ATTACH DETAILS)

1. Assume that the more employees a firm has, the greater their propensity to spend money on corporate fitness programs.
 2. Assume the average cost of equipping a fitness center is \$20,000.
 3. Assume the average additional cost of operating an off-site fitness center is \$10,000.
 4. Assume the average cost of equipping an amateur team is \$600 and other operational costs are \$250.
 5. Assume the average cost of a qualified fitness instructor is \$150 per class.
 6. Assume the cost of operating a on-site facility is \$1,000 per year.
- See attached.

SECTION 4: PROPOSED FISCAL IMPACT

State Impact—All Funds	FY 2006-07 Annualized	FY 2006-07 Cash	FY 2007-08 Cash
High			
Middle	(\$2.9 million)	(\$1.5 million)	(\$2.9 million)
Low			

SECTION 5: CONSENSUS ESTIMATE (ADOPTED 4 / 14 / 06) The conference adopted the proposed estimate.

	FY 2006-07 Annualized	FY 2006-07 Cash	FY 2007-08 Cash
General Revenue	(2.9)	(1.5)	(2.9)
Total State Impact			
Total Local Impact			
Total Impact	(2.9)	(1.5)	(2.9)

	A	B	C	D	E
1	Employee Fitness Tax Credits				
2		Large Firms 500+ Employees	Midsize Firms 100-499 Emp	Small Firms <100 Employees	Totals
3	Number of Firms	4,220	5,658	24,844	34,722
4	Establishments	63,502	14,706	30,275	108,483
5	Employees	3,563,794	757,219	941,175	5,262,188
6					
7	1.) New Fitness Facility				
8	Percent of Firms	2.0%	1.0%	0.0%	
9	Percent of in House Facilities	80%	100%		
10	Cost of Equipping Facility	20,000	20,000	20,000	
11	Number of in house Facilities	68	57	-	
12	Percent of Off-site Facilities	20%	0%	0%	
13	Equipping Costs of Off-site	20,000	20,000	20,000	
14	Operational Costs	10,000	10,000	10,000	
15	Number of Off-site Facilities	17	-	-	
16	Total Costs	1,856,800	1,131,600	-	
17	Tax Credit (10% of Cost)	185,680	113,160	-	298,840
18					
19	2.) Current On-Site Facilities				
20	Percent of Firms	20%	15%	2%	
21	Number of Facilities	844	849	497	
22	Operational Costs	1,000	1,000	1,000	
23	Total Costs	844,000	848,700	496,880	
24	Tax Credit (10% of Cost)	84,400	84,870	49,688	218,958
25					
26	3.) Corporate Teams				
27	Percent of Firms	15%	12%	10%	
28	Equipping Costs	600	600	600	
29	Operational Costs	250	250	250	
30	Number of Teams	633	679	2,484	
31	Total Costs	538,050	407,376	1,490,640	
32	Tax Credit (10% of Cost)	53,805	40,738	149,064	243,607
33					
34	4.) In House Fitness Classes				
35	Percent of Firms	2%	1%	0%	
36	Cost of one Class	150	150	150	
37	Number of Classes Yearly	100	100	100	
38	Total Cost	1,266,000	848,700	-	
39	Tax Credit (5% of Cost)	63,300	42,435	-	105,735
40					
41	5.) Membership Subsidy				
42	Subsidy Rate	50%	50%	50%	
43	Percent of Firms	15%	10%	5%	
44	Cost of Membership	500	500	500	
45	Participation rate (HIGH)	20%	20%	20%	
46	Participation rate (LOW)	5%	5%	5%	
47	Total Cost (HIGH)	26,728,455.00	3,786,095.00	2,352,937.50	
48	Total Cost (LOW)	6,682,113.75	946,523.75	588,234.38	
49	Tax Credit (HIGH) (10%)	2,672,845.50	378,609.50	235,293.75	3,286,748.75
50	Tax Credit (LOW) (10%)	668,211.38	94,652.38	58,823.44	821,687.19
51					
52	6.) Tax Credit Estimate				
53	Low	1,055,396	375,855	257,575	1,688,827
54	Middle	2,057,713	517,834	345,811	2,921,358
55	High	3,060,031	659,812	434,046	4,153,888
56					
57	Credit Limit Based on Employees				
58	Employees				
59	New Facilities	71,276	7,572	-	78,848
60	Current Facilities	712,759	113,583	18,824	845,165
61	Corporate Teams	534,569	90,866	94,118	719,553
62	Fitness Classes	71,276	7,572	-	78,848
63	Membership (HIGH)	106,914	15,144	9,412	131,470
64	TOTAL	1,496,793	234,738	122,353	1,853,884
65	Tax Credit Limit (\$50/employee)	74,839,674	11,736,895	6,117,638	92,694,206