#### **REVENUE ESTIMATING CONFERENCE**

TAX: Corporate Income Tax and Insurance Premium Tax **ISSUE:** Employee Fitness Expenditures BILL NUMBER(S): HB 325/SB194 CO-SPONSOR(S): Rep. Garcia, R. and Rep. Porth MONTH/YEAR COLLECTION IMPACT BEGINS: 01/01/2008 **DATE OF ANALYSIS: 01/23/2007** 

### **SECTION 1: NARRATIVE**

a. Current Law: There are no provisions for claiming credits against corporate income tax or insurance premium tax for providing fitness facilities or subsidizing fitness activities for employees.

b. Proposed Change: Ten percent of qualified employee fitness expenditures incurred by taxable firms will be eligible for tax credits against corporate income tax. If the tax payer is an insurer, the tax credit will be taken against the insurance premium tax. The tax credits cannot exceed 50% of the corporate income tax (or insurance premium tax, for insurers) or \$50 multiplied by the number of full-time employees.

### SECTION 2: DESCRIPTION OF DATA AND SOURCES

Number of Florida Firms and Number of Employees, 1999-2004: U.S. Census, Statistics of U.S. Businesses Operating Expenses for Fitness and Recreational Sports Centers: 2002 & 2004 U.S. Census Business Expense Survey Number of Fitness and Recreational Sports Centers: U.S. Census Bureau, Statistical Abstract of the United States: 2006 Fitness Instructor Salary: American Counsel on Exercise - acefitness.com Cost of subsidizing adult athletic teams - Various city websites

# SECTION 3: METHODOLOGY (INCLUDE ASSUMPTIONS AND ATTACH DETAILS)

See attached.

### SECTION 4: PROPOSED FISCAL IMPACT

		FY 2007-08	FY 2008-09
State Impact—All Funds	FY 2007-08 Annualized	Cash	Cash
High	(\$ 9.6 m)	(\$ 4.8 m)	(\$ 9.8 m)
Middle	(\$ 6.6 m)	(\$ 3.3 m)	(\$ 6.7 m)
Low	(\$ 4.0 m)	(\$2.0 m)	(\$ 4.0 m)

	FY 2009-10	FY 2010-11
State Impact—All Funds	Cash	Cash
High	(\$ 10.0 m)	(\$ 10.3 m)
Middle	(\$ 6.8 m)	(\$ 7.0 m)
Low	(\$ 4.1 m)	(\$ 4.2 m)

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SECTION 5: CONSENSUS ESTIMATE (ADOPTED 2 / 9/07 ) The conference adopted the middle estimate.

		FY 2007-08	FY 2008-09
	FY 2007-08 Annualized	Cash	Cash
General Revenue	(6.6)	(3.3)	(6.7)
Total State Impact	(6.6)	(3.3)	(6.7)
Total Local Impact			
Total Impact	(6.6)	(3.3)	(6.7)

	FY 2009-10	FY 2010-11
	Cash	Cash
General Revenue	(6.8)	(7.0)
Total State Impact	(6.8)	(7.0)
Total Local Impact		
Total Impact	(6.8)	(7.0)

							1		
	A B	C	D	E	F	G	Н	I	J
	House Bill 325: Employee Fitness	Expenditures -	High Estimate						
2									
3	2008 FORECASTS				1				
		Total # of	Total # of	Avg. # of					
4	Size of firm	Firms	Employees	Employees					
5	Large ( >= 500 employees)	4,102	4,259,834	1,038					
6	Medium (100 - 499 employees)	6,661	934,247	140					
7	Small (1 - 99 employees)	360,541	2,512,741	7					
8		371,304	7,706,822	21					
9									
10	EMPLOYER PROVIDED FITNE	SS FACILITIE	S <sup>1</sup>						
10			~	Facility					
				Maintenance		Avg Instructor	Qualified Facility		
			Number of	Expense per	Avg # of	Salary (50%	Expenses per	10% of All	\$50 * All Firms
11	Size of firm	% of Firms	Firms	firm	Instructors	qualfied)	Firm	Firms' Expenses	employees
	Large ( >= 500 employees)	5.00%	205	\$100,000	5	\$30,000	\$175,000	\$3,587,500	\$10,639,500
	Medium (100 - 499 employees)	3.00%	203	\$50,000	2	\$30,000	\$80,000	\$1,600,000	\$1,400,000
	Small (1 - 99 employees)	0.10%	361	\$20,000	0		\$20,000	\$722,000	\$1,400,000
	sman (1 - 99 employees)	0.10%	301	\$20,000	0	\$50,000	\$20,000	\$722,000	φ120,550
15									
16									
17	FIRM - SUBSIDIZED FITNESS O	LUB MEMBE	ERSHIPS						
				Average	Employee	Qualified			
1			Number of	Subsidy per	Participation Rate	-	10% of All	\$50 * All Firms'	
18	Size of firm	% of Firms	Firms	employee	Farticipation Kate	Expense per fiffi	Firms' Expenses	Employees	
19	Large ( >= 500 employees)	10.00%	410	\$250	30%	\$77,850	\$3,191,850	\$21,279,000	
20	Medium (100 - 499 employees)	6.00%	400	\$200	30%	\$8,400	\$336,000	\$2,800,000	
21	Small (1 - 99 employees)	1.00%	3,605	\$150	30%	\$315	\$113,558	\$1,261,750	
22									
23	FIRM - SUBSIDIZED AMATEUR	R ATHLETIC '	TEAMS						
			Number of	Average cost	10% of All Firms'	\$50 * All Firms'			
24	Size of Firm	% of firms	firms	per team	Expenses	Employees			
	Large ( >= 500 employees)	7.00%	287	\$350	\$10,045	\$14,895,300			
	Medium (100 - 499 employees)	3.00%	200	\$350	\$7,000	\$1,400,000			
27	Small (1 - 99 employees)	0.50%	1,803	\$350	\$63,105	\$631,050			
28		0.0070	1,005	4000	400,100	\$001,000	1		
	TOTALS								
2)	TOTALS					2008 Total	1		
			Number of	Number of		Employer Tax			
30	Size of Firm	% of firms	firms	employees	% of employees	Credits			
	Large ( >= 500 employees)	% of firms 22.00%	902		% of employees 21.98%				
	Medium (100 - 499 employees)			936,276		\$6,789,395			
		12.00%	800	112,000	11.99%	\$1,943,000			
	Small (1 - 99 employees)	1.60%	5,769	40,383	1.61%	\$898,663			
34	Total	2.01%	7,471	1,088,659	14.13%	\$9,631,058			
35									
36									
37									
	CASH IMPACT FORECAST								
39	CPI growth <sup>2</sup>	Tax Credits							
40	FY 07-08	\$4,012,941							
40	FY 08-09 2.56%								
_		\$9,754,335							
42		\$10,004,046							
43	FY 10-11 2.56%	\$10,260,150							
44	FY 11-12 2.56%	\$10,522,809							
45	<sup>2</sup> CPI Average Growth Rate for las	t ten fiscal yea	rs						
46									
	Sources:								
-	Number of Florida Firms & Avg. H	Employees, 199	9-2004 : U.S. 0	Census, Statistics	of U.S. Businesses				
	Facility Operating Expenses - Univ					n Center. Sea Ran	ch Association Fit	ness Center. & of	hers
-	Fitness Instructor Salary: American	-	1			,		,	
	Cost of subsidizing athletic teams -								
151									

51 Cost of subsidizing athletic teams - Various city websites 52 Estimated 4,000 corporate wellness health and fitness centers in the U.S. - Fitness Management.com / Frost & Sullivan, U.S. Fitness and Exercise Equipment Markets, 1997

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1	A B	C	D High Estimat	E	F	G	Н	I	J
2	House Bill 325: Employee Fitnes	s Expenditures	- rugu Estimat	c					
3	2008 FORECASTS								
		Total # of	Total # of	Avg. # of	]				
4	Size of firm	Firms	Employees	Employees					
5	Large ( $\geq 500$ employees)	4,102	4,259,834	1,038					
6	Medium (100 - 499 employees)	6,661	934,247	140					
7	Small (1 - 99 employees)	360,541	2,512,741	7					
8		371,304	7,706,822	21					
9					•				
10	EMPLOYER PROVIDED FITNE	ESS FACILITI	$ES^1$						
				Facility					
				Maintenance		Avg Instructor	Qualified Facility	•	
			Number of	Expense per	Avg # of	Salary (50%	Expenses per	10% of All	\$50 * All Firms
11	Size of firm	% of Firms	Firms	firm	Instructors	qualfied)	Firm	Firms' Expenses	employees
	Large ( >= 500 employees)	4.00%	164	\$100,000	5	\$30,000	\$175,000	\$2,870,000	
_	Medium (100 - 499 employees)	2.00%	133	\$50,000	3	\$30,000		\$1,263,500	\$931,000
14	Small (1 - 99 employees)	0.00%	0	\$20,000	1	\$30,000	\$0	\$0	\$0
15									
16	4								
17	FIRM - SUBSIDIZED FITNESS	CLUB MEMB	ERSHIPS		1			1	1
				Average	Employee	Qualified		*** · · · · · · · · · · · · · · · · · ·	
10	a:	04 G.E.	Number of	subsidy per	Participation Rate	Expense per firm	10% of All	\$50 * All Firms	
18	Size of firm	% of Firms	Firms	employee	-		Firms' Expenses	Employees	
_	Large ( >= 500 employees) Medium (100 - 499 employees)	8.00%	328	\$250	25%	\$64,875	\$2,127,900		-
20 21	Small (1 - 99 employees)	4.00% 0.50%	266 1,803	\$200 \$150	25% 25%	\$7,000 \$263	\$186,200 \$47,329	\$1,862,000 \$631,050	
21	Sinan (1 - 99 employees)	0.50%	1,803	\$150	2370	\$203	\$47,329	\$031,030	1
	FIRM - SUBSIDIZED AMATEU	R ATHLETIC	TEAMS						
20			TEX IIII	Average			Ī		
			Number of	subsidy per	10% of All Firms'	\$50 * All Firms'			
24	Size of Firm	% of firms	firms	team	Expenses	Employees			
25	Large ( >= 500 employees)	7.00%	287	\$350	\$10,045	\$14,895,300			
26	Medium (100 - 499 employees)	5.00%	333	\$350	\$11,655	\$2,331,000			
27	Small (1 - 99 employees)	0.50%	1,803	\$350	\$63,105	\$631,050	l		
28									
29	TOTALS					**************************************	T		
						2008 Total			
20	0. CE:	0/ C.C.	Number of	Number of	04 6 1	Employer Tax			
30 31	Size of Firm Large ( >= 500 employees)	% of firms 19.00%	firms 779	employees 808,602	% of employees 18.98%	Credits \$5,007,945	ł		
31	Medium (100 - 499 employees)	19.00%	779	808,602	18.98%	\$5,007,945 \$1,461,355			
33	Small (1 - 99 employees)	11.00%	3,606	25,242	1.00%	\$1,461,555			
34	Total	1.38%	5,117	936,324	12.15%	\$6,579,734	t		
_		1.30%	5,117	730,324	12.13%	φ0, <i>319</i> ,134	L		
35 36									
36	1								
	CASH IMPACT FORECAST								
39	CPI growth <sup>2</sup>	Tax Cradite							
40	FY 07-08	Tax Credits \$2,741,556							
40	FY 08-09 2.56%								
42	FY 09-10 2.56%								
43	FY 10-11 2.56%	\$7,009,516							
44	FY 11-12 2.56%	\$7,188,960							
45	<sup>2</sup> CPI Average Growth Rate for la		ars						
		, , , , ,							
46									
-	Sources:								
46	Sources: Number of Florida Firms & Avg.	Employees, 19	99-2004 : U.S.	. Census, Statistic	cs of U.S. Businesse	s			
46 47 48							anch Association 1	Fitness Center, &	others
46 47 48 49	Number of Florida Firms & Avg.	iversity of Colo	orado Campus	Recreational Cen			anch Association l	Fitness Center, &	others

50Fitness Instructor Salary: American Counsel on Exercise -51Cost of subsidizing athletic teams - Various city websites

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1	A B House Bill 325: Employee Fitness	C	D High Estimat	E	F	G	Н	I	J	
2	House Bin 525. Employee Pliness	Experiantites	- High Estimat	e						
3	2008 FORECASTS									
-	2000101101101	Total # of	Total # of	Avg. # of	1					
4	Size of firm	Firms	Employees	Employees						
5	Large ( $\geq 500$ employees)	4,102	4,259,834	1,038						
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7	Small (1 - 99 employees)	360,541	2,512,741	7						
8		371,304	7,706,822	21						
9		, ,	, , ,		1					
10	EMPLOYER PROVIDED FITNE	SS FACILITI	ES <sup>1</sup>							
10		55 THEILIT	25	Facility						
				Maintenance		Avg Instructor	Qualified Facility			
			Number of	Expense per	Avg # of	Salary (50%	Expenses per	10% of All	\$50 * All Firms'	
11	Size of firm	% of Firms	Firms	firm	Instructors	qualfied)	Firm	Firms' Expenses	employees	
12	Large ( >= 500 employees)	3.00%	123	\$100,000		\$30,000	\$175,000	\$2,152,500	\$6,383,700	
13	Medium (100 - 499 employees)	1.00%	67	\$50,000		\$30,000	\$80,000	\$536,000	\$469,000	
14	Small (1 - 99 employees)	0.00%	0	\$20,000		\$30,000	\$0		\$0	
15				,						
16										
17	FIRM - SUBSIDIZED FITNESS	CLUB MEMB	FRSHIPS							
- '				Average						
			Number of	Subsidy per	Employee	Qualified	10% of All	\$50 * All Firms		
18	Size of firm	% of Firms	Firms	employee	Participation Rate	Expense per firm	Firms' Expenses	Employees		
	Large ( >= 500 employees)	5.00%	205	\$250	20%	\$51,900	\$1,063,950	\$10,639,500		
20	Medium (100 - 499 employees)	1.50%	100	\$200		\$5,600	\$56,000	\$700,000		
	Small (1 - 99 employees)	0.25%	901	\$150		\$210	\$18,921	\$315,350		
22							1 - 1-	1 ,		
23	FIRM - SUBSIDIZED AMATEU	R ATHLETIC	TEAMS							
							ſ			
			Number of	Average cost	10% of All Firms'	\$50 * All Firms'				
24	Size of Firm	% of firms	firms	per team	Expenses	Employees				
25	Large ( >= 500 employees)	7.00%	287	\$350	\$10,045	\$14,895,300				
26	Medium (100 - 499 employees)	5.00%	333	\$350	\$11,655	\$2,331,000				
27	Small (1 - 99 employees)	1.00%	3,605	\$350	\$126,175	\$1,261,750				
28										
29	TOTALS				-					
						2008 Total				
			Number of	Number of		Employer Tax				
30	Size of Firm	% of firms	firms	employees	% of employees	Credits				
31	Large ( >= 500 employees)	15.00%	615	638,370		\$3,226,495				
32	Medium (100 - 499 employees)	7.50%	500	70,000		\$603,655				
33	Small (1 - 99 employees)	1.25%	4,506	31,542	1.26%	\$145,096	ļ.			
34	Total	1.51%	5,621	739,912	9.60%	\$3,975,246				
35										
36										
37										
	CASH IMPACT FORECAST									
39	CPI growth <sup>2</sup>	Tax Credits								
40	FY 07-08	\$1,656,353								
41	FY 08-09 2.56%	\$4,026,129								
42	FY 09-10 2.56%	\$4,129,198								
43	FY 10-11 2.56%	\$4,234,906								
44	FY 11-12 2.56%	\$4,343,319								
45	<sup>2</sup> CPI Average Growth Rate for las		arc							
45	CTTTWERAGE OTOWIT Rate TOP 18	se ten risear yea								
40	Sources:									
		Employees 10	99-2004 · U S	Census Statistic	cs of U.S. Businesse	s				
48										
48 49	-				ter Spartanburg Su	im Center Seo D	anch Association	Fitness Center &	others	
49	Facility Operating Expenses - Uni	versity of Colo	orado Campus l	Recreational Cen	ter, Spartanburg Sw	vim Center, Sea R	anch Association l	Fitness Center, &	others	
49 50	-	versity of Colo in Counsel on I	orado Campus l Exercise - acefi	Recreational Cen	iter, Spartanburg Sw	vim Center, Sea R	anch Association l	Fitness Center, &	others	