

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

State Impact—All Funds	FY 2007-08 Annualized	FY 2007-08 Cash	FY 2008-09 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)

State Impact—All Funds	FY 2009-10 Cash	FY 2010-11 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 Annualized	FY 2007-08 Cash	FY 2008-09 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 Cash	FY 2010-11 Cash
General Revenue	(6.8)	(7.0)
Total State Impact	(6.8)	(7.0)
Total Local Impact		
Total Impact	(6.8)	(7.0)

	A	B	C	D	E	F	G	H	I	J
1	House Bill 325: Employee Fitness Expenditures - High Estimate									
2										
3	2008 FORECASTS									
4	Size of firm		Total # of Firms	Total # of Employees	Avg. # of 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 FITNESS FACILITIES ¹									
11	Size of firm	% of Firms	Number of Firms	Facility Maintenance Expense per firm	Avg # of Instructors	Avg Instructor Salary (50% qualified)	Qualified Facility Expenses per Firm	10% of All Firms' Expenses	\$50 * All Firms' employees	
12	Large (>= 500 employees)	5.00%	205	\$100,000	5	\$30,000	\$175,000	\$3,587,500	\$10,639,500	
13	Medium (100 - 499 employees)	3.00%	200	\$50,000	2	\$30,000	\$80,000	\$1,600,000	\$1,400,000	
14	Small (1 - 99 employees)	0.10%	361	\$20,000	0	\$30,000	\$20,000	\$722,000	\$126,350	
15										
16										
17	FIRM - SUBSIDIZED FITNESS CLUB MEMBERSHIPS									
18	Size of firm	% of Firms	Number of Firms	Average Subsidy per employee	Employee Participation Rate	Qualified Expense per firm	10% of All Firms' Expenses	\$50 * All Firms' 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 ATHLETIC TEAMS									
24	Size of Firm	% of firms	Number of firms	Average cost per team	10% of All Firms' Expenses	\$50 * All Firms' Employees				
25	Large (>= 500 employees)	7.00%	287	\$350	\$10,045	\$14,895,300				
26	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										
29	TOTALS									
30	Size of Firm	% of firms	Number of firms	Number of employees	% of employees	2008 Total Employer Tax Credits				
31	Large (>= 500 employees)	22.00%	902	936,276	21.98%	\$6,789,395				
32	Medium (100 - 499 employees)	12.00%	800	112,000	11.99%	\$1,943,000				
33	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										
38	CASH IMPACT FORECAST									
39		CPI growth ²	Tax Credits							
40	FY 07-08		\$4,012,941							
41	FY 08-09	2.56%	\$9,754,335							
42	FY 09-10	2.56%	\$10,004,046							
43	FY 10-11	2.56%	\$10,260,150							
44	FY 11-12	2.56%	\$10,522,809							
45	² CPI Average Growth Rate for last ten fiscal years									
46										
47	Sources:									
48	Number of Florida Firms & Avg. Employees, 1999-2004 : U.S. Census, Statistics of U.S. Businesses									
49	Facility Operating Expenses - University of Colorado Campus Recreational Center, Spartanburg Swim Center, Sea Ranch Association Fitness Center, & others									
50	Fitness Instructor Salary: American Counsel on Exercise - acefitness.com									
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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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 FITNESS FACILITIES ¹									
11	Size of firm	% of Firms	Number of Firms	Facility Maintenance Expense per firm	Avg # of Instructors	Avg Instructor Salary (50% qualified)	Qualified Facility Expenses per Firm	10% of All Firms' Expenses	\$50 * All Firms' employees	
12	Large (>= 500 employees)	4.00%	164	\$100,000	5	\$30,000	\$175,000	\$2,870,000	\$8,511,600	
13	Medium (100 - 499 employees)	2.00%	133	\$50,000	3	\$30,000	\$95,000	\$1,263,500	\$931,000	
14	Small (1 - 99 employees)	0.00%	0	\$20,000	1	\$30,000	\$0	\$0	\$0	
15										
16										
17	FIRM - SUBSIDIZED FITNESS CLUB MEMBERSHIPS									
18	Size of firm	% of Firms	Number of Firms	Average subsidy per employee	Employee Participation Rate	Qualified Expense per firm	10% of All Firms' Expenses	\$50 * All Firms' Employees		
19	Large (>= 500 employees)	8.00%	328	\$250	25%	\$64,875	\$2,127,900	\$17,023,200		
20	Medium (100 - 499 employees)	4.00%	266	\$200	25%	\$7,000	\$186,200	\$1,862,000		
21	Small (1 - 99 employees)	0.50%	1,803	\$150	25%	\$263	\$47,329	\$631,050		
22										
23	FIRM - SUBSIDIZED AMATEUR ATHLETIC TEAMS									
24	Size of Firm	% of firms	Number of firms	Average subsidy per team	10% of All Firms' Expenses	\$50 * All Firms' 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				
28										
29	TOTALS									
30	Size of Firm	% of firms	Number of firms	Number of employees	% of employees	2008 Total Employer Tax Credits				
31	Large (>= 500 employees)	19.00%	779	808,602	18.98%	\$5,007,945				
32	Medium (100 - 499 employees)	11.00%	732	102,480	10.97%	\$1,461,355				
33	Small (1 - 99 employees)	1.00%	3,606	25,242	1.00%	\$110,434				
34	Total	1.38%	5,117	936,324	12.15%	\$6,579,734				
35										
36										
37										
38	CASH IMPACT FORECAST									
39		CPI growth ²	Tax Credits							
40	FY 07-08		\$2,741,556							
41	FY 08-09	2.56%	\$6,663,954							
42	FY 09-10	2.56%	\$6,834,552							
43	FY 10-11	2.56%	\$7,009,516							
44	FY 11-12	2.56%	\$7,188,960							
45	² CPI Average Growth Rate for last ten fiscal years									
46										
47	Sources:									
48	Number of Florida Firms & Avg. Employees, 1999-2004 : U.S. Census, Statistics of U.S. Businesses									
49	Facility Operating Expenses - University of Colorado Campus Recreational Center, Spartanburg Swim Center, Sea Ranch Association Fitness Center, & others									
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6	Medium (100 - 499 employees)	6,661	934,247	140						
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11	Size of firm	% of Firms	Number of Firms	Facility Maintenance Expense per firm	Avg # of Instructors	Avg Instructor Salary (50% qualified)	Qualified Facility Expenses per Firm	10% of All Firms' Expenses	\$50 * All Firms' employees	
12	Large (>= 500 employees)	3.00%	123	\$100,000	5	\$30,000	\$175,000	\$2,152,500	\$6,383,700	
13	Medium (100 - 499 employees)	1.00%	67	\$50,000	2	\$30,000	\$80,000	\$536,000	\$469,000	
14	Small (1 - 99 employees)	0.00%	0	\$20,000	0	\$30,000	\$0	\$0	\$0	
15										
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17	FIRM - SUBSIDIZED FITNESS CLUB MEMBERSHIPS									
18	Size of firm	% of Firms	Number of Firms	Average Subsidy per employee	Employee Participation Rate	Qualified Expense per firm	10% of All Firms' Expenses	\$50 * All Firms' Employees		
19	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	20%	\$5,600	\$56,000	\$700,000		
21	Small (1 - 99 employees)	0.25%	901	\$150	20%	\$210	\$18,921	\$315,350		
22										
23	FIRM - SUBSIDIZED AMATEUR ATHLETIC TEAMS									
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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									
30	Size of Firm	% of firms	Number of firms	Number of employees	% of employees	2008 Total Employer Tax Credits				
31	Large (>= 500 employees)	15.00%	615	638,370	14.99%	\$3,226,495				
32	Medium (100 - 499 employees)	7.50%	500	70,000	7.49%	\$603,655				
33	Small (1 - 99 employees)	1.25%	4,506	31,542	1.26%	\$145,096				
34	Total	1.51%	5,621	739,912	9.60%	\$3,975,246				
35										
36										
37										
38	CASH IMPACT FORECAST									
39		CPI growth ²	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	² CPI Average Growth Rate for last ten fiscal years									
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