REVENUE ESTIMATING CONFERENCE

Tax: Other Tobacco Products Tax and Surcharge
Issue: Tax treatment of other tobacco products
Bill Number(s): SPB 7074 with proposed amendment

☒ **Entire Bill**
☐ **Partial Bill**:
Sponsor(s): Senate Finance and Tax Committee
Month/Year Impact Begins: July 1, 2015
Date of Analysis: April 3, 2015

Section 1: Narrative

a. Current Law:
Other Tobacco Products are taxed at a rate of 85 percent (25 percent tax and 60 percent surcharge) of the wholesale sales price. Other Tobacco Product (OTP) tax revenues are distributed to General Revenue (GR); and OTP surcharge revenues are distributed to the Health Care Trust Fund after deducting the GR service charge.

Section 210.25(13), F.S., defines "wholesale sales price" as "the established price for which a manufacturer sells a tobacco product to a distributor, exclusive of any diminution by volume or other discounts."

In 2012, Micjo, Inc., a Florida-licensed distributor of tobacco products, challenged the Department of Business and Professional Regulation's (DBPR) interpretation of "wholesale sales price." The court agreed with Micjo's position that the federal excise tax and delivery charges paid were not part of the wholesale sales prices. As a result of this decision, DBPR granted refunds in the amount of $1.48 million. This amount is incorporated into FY2013-14 actual revenues as reported in the Tobacco Tax and Surcharge Revenue Estimating Conference (REC). Initially, in October 2013 and February 2014, the REC included a recurring negative impact of $2.14 million in the OTP revenue forecast as well, to represent future behavior changes resulting from the Micjo decision. However, this negative impact was subsequently removed from the REC forecast, as the anticipated behavior change did not materialize as expected. At this time, DBPR has not granted any refunds in excess of the initial $1.48 million, but if the Micjo ruling was expanded to other taxpayers at some point in the future, there could be additional negative impacts to this tax source.

Section 210.25(11), F.S., defines "tobacco products" as "loose tobacco suitable for smoking; snuff; snuff flour; cavendish; plug and twist tobacco; fine cuts and other chewing tobaccos; shorts; refuse scraps; clippings, cuttings, and sweepings of tobacco, and other kinds and forms of tobacco prepared in such manner as to be suitable for chewing; but "tobacco products" does not include cigarettes, as defined by s. 210.01(1), or cigars."

DBPR is currently facing challenges related to the definition of tobacco products. There has not been a final ruling in this case yet, but the plaintiff's claim is that "blunt wraps" are not included in the current definition of tobacco products, and are therefore not taxable. Since these wraps are made at least in part from tobacco leaves, DBPR considers these products taxable in their administration of the law. If a final ruling determines that these products are not taxable, there would be a negative fiscal impact to OTP revenues.

b. Proposed Change:
The term "wholesale sales price" is re-defined as "the full price paid by the distributor to acquire the tobacco products, including charges by the seller for the cost of materials, cost of labor and service, charge for transportation and delivery, the federal excise tax, and any other charge, even if the charge is listed as a separate item on the invoice paid by the distributor…."

The definition of "tobacco products" is amended to clarify that "products, including wraps, made in whole or in part from tobacco leaves for use in chewing, smoking, or sniffing" are tobacco products.

Section 2: Description of Data and Sources
Senate Staff Analysis for SPB 7074
Archived Tobacco Tax and Surcharge Revenue Estimating Conference results
Conversations with Michael Martinez, Attorney at Department of Business and Professional Regulation (DBPR)

REVENUE ESTIMATING CONFERENCE

Tax: Other Tobacco Products Tax and Surcharge
Issue: Tax treatment of other tobacco products
Bill Number(s): SPB 7074 with proposed amendment

Section 3: Methodology (Include Assumptions and Attach Details)
This bill amends certain definitions related to the tax treatment of other tobacco products in an effort to prevent potential negative impacts to OTP tax and surcharge revenues that may occur as a result of legal challenges that DBPR is facing related to these definitions. The new definition of "wholesale sales price" produces a positive indeterminate impact resulting from an increase in the taxes paid by Micjo and similarly-situated taxpayers due to the clarification that wholesale sales price includes all components of cost to acquire tobacco products, including federal excise tax.

Section 4: Proposed Fiscal Impact

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2015-16			**	**		
2016-17			**	**		
2017-18			**	**		
2018-19			**	**		
2019-20			**	**		

List of affected Trust Funds:
Health Care Trust Fund

Section 5: Consensus Estimate (Adopted: 04/03/2015): The Conference adopted the proposed estimate.

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2015-16	**	**	**	**	0.0	0.0	**	**
2016-17	**	**	**	**	0.0	0.0	**	**
2017-18	**	**	**	**	0.0	0.0	**	**
2018-19	**	**	**	**	0.0	0.0	**	**
2019-20	**	**	**	**	0.0	0.0	**	**

REVENUE ESTIMATING CONFERENCE

Tax: Corporate Income Tax
Issue: Defense Contractors – reduction
Bill Number(s): CS/CS/SB 980

☒ **Entire Bill**
☐ **Partial Bill**:
Sponsor(s): Sen. Soto
Month/Year Impact Begins: July 1, 2015
Date of Analysis: 3/31/2015

Section 1: Narrative

a. **Current Law**: No credit against Corporate Income Tax for Defense contractors engaging in subcontract arrangements with Florida businesses currently exists.

b. **Proposed Change**: the proposed language creates 288.1046; Defense works in Florida incentive. Defines "Florida Prime contractor" as a business entity operating in the state which is awarded a prime contract. Defines "Florida small business subcontractor" meaning: a business entity that employs up to 250 individuals and maintains its principal place of business in this state, is awarded a subcontract from a Florida prime contractor and has no subsidiary or affiliate business relationship to the Florida prime contractor making the award. "Prime contract" is awarded directly from the federal government. Defines "Qualified defense work" as: manufacturing, engineering, construction, distribution, research, or development of equipment, supplies, technology, or other goods or services that, directly or indirectly, support the United States Armed Forces or that can be reasonably determined by the department to support national security; or aero-space related activities that directly or indirectly support the United States Armed Forces. "Qualified subcontract award" means qualified defense work, in part or in whole, subcontracted from a Florida small business subcontractor which is executed in this state and is approved by the department. A Florida subcontractor may apply to the department to certify the Florida prime contractor may reduce its computation of adjusted federal income under s. 220.13 by an amount equal to 4 percent of the subcontract award if the Florida prime contractor is: subject to chapter 220, awarded qualified defense work and awards a qualified subcontract. The department may certify, for each Florida prime contractor applicant per tax year, up to $125 million in aggregate qualified subcontract awards, $275,000 in reduced taxes. The department may certify in total, per tax year, up to $1.25 billion in aggregate qualified subcontract awards, $2.75 million in reduced taxes.

Section 2: Description of Data and Sources

Federal Procurement Data: https://www.fpds.gov/fpdsng_cms/index.php/en/reports/62-top-100-contractors-report3.html

Section 3: Methodology (Include Assumptions and Attach Details)

aggregate qualified subcontract awards	$1,250,000,000	
4 percent of total subcontract awards eligible (subtraction from adjust federal income)	$50,000,000	4.0%
cit rate	$2,750,000	5.5%

Section 4: Proposed Fiscal Impact

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2015-16			($2.8m)	($2.8m)		
2016-17			($2.8m)	($2.8m)		
2017-18			($2.8m)	($2.8m)		
2018-19			($2.8m)	($2.8m)		
2019-20			($2.8m)	($2.8m)		

List of affected Trust Funds: General Revenue

REVENUE ESTIMATING CONFERENCE

Tax: Corporate Income Tax
Issue: Defense Contractors – reduction
Bill Number(s): CS/CS/SB 980

Section 5: Consensus Estimate (Adopted: 03/05/2015): The Conference adopted the proposed estimate.

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2015-16	(2.8)	(2.8)	0.0	0.0	0.0	0.0	(2.8)	(2.8)
2016-17	(2.8)	(2.8)	0.0	0.0	0.0	0.0	(2.8)	(2.8)
2017-18	(2.8)	(2.8)	0.0	0.0	0.0	0.0	(2.8)	(2.8)
2018-19	(2.8)	(2.8)	0.0	0.0	0.0	0.0	(2.8)	(2.8)
2019-20	(2.8)	(2.8)	0.0	0.0	0.0	0.0	(2.8)	(2.8)

REVENUE ESTIMATING CONFERENCE

Tax: County Contributions to Medicaid
Issue: Limits annual county contributions to Medicaid to no more than the county's previous fiscal year contribution plus a growth factor of three percent.
Bill Number(s): Proposed Language

☒ **Entire Bill**
☐ **Partial Bill**:
Sponsor(s):
Month/Year Impact Begins: July 2015
Date of Analysis: March 31, 2015

Section 1: Narrative

a. Current Law: Per s. 409.915, F.S., each county's annual contribution to Medicaid is computed by applying an enrollment weight (county Medicaid enrollees as of March 1 of each year/state Medicaid enrollees as of March 1 of each year) and a payment weight (county's proportion of the total statewide amount of county billings made from April 1, 2012 through March 31, 2013 for which the state ultimately received payment) to the total of all county contributions. The weights are applied in the fiscal year as follows:

Fiscal Year	Weight of Enrollment Share	Weight of Payment Share
2015-16	20%	80%
2016-17	40%	60%
2017-18	60%	40%
2018-19	80%	20%
2019-20+	100%	0%

The total amount of the counties' annual contribution is the total contribution for the prior fiscal year adjusted by 50 percent of the percentage change in the state Medicaid expenditures for the two most recent completed state fiscal years, as determined by the Social Services Estimating Conference.

b. Proposed Change: The amount of each county's annual contribution to Medicaid shall be computed as described by current law, but the final contribution amount shall not exceed the county's contribution in the previous fiscal year plus a growth factor of three percent. When computing the total amount of the counties' annual contribution, the calculation is made by summing the individual county contributions under the growth limitation.

Section 2: Description of Data and Sources

- FY2014-15 county contributions to Medicaid (AHCA)
- Total FY2015-16-FY2019-20 county contributions to Medicaid (Adopted by March 2015 GR Revenue Estimating Conference)
- Payment weights computed from county proportions of the total statewide amount of county billings made from April 1, 2012 through March 31, 2013 for which the state ultimately received payment (Adopted by March 2015 SSEC)
- County-level enrollment counts from February 2006-2015 Medicaid Eligibility reports (AHCA)

Section 3: Methodology (Include Assumptions and Attach Details)

Each county's annual contributions to Medicaid were computed as described by current law. The March 1 enrollment counts for 2016-2019 were estimated using a linear extrapolation of the March 1, 2006-March 1, 2015 enrollment counts from the Medicaid Eligibility reports obtained from AHCA. These estimates were used to compute the enrollment weights for each county for each fiscal year.

An alternative annual county contribution was also computed for each year by applying a 3% growth factor to the final contribution amount from the previous fiscal year and by applying the appropriate payment and enrollment weights to the sum of the county contributions from the previous fiscal year. The final alternative contribution amount for each county for the given year was the lower of these two numbers.

The contribution amounts under each scenario were summed for each fiscal year. The difference between the two figures from a given fiscal year is considered to be the loss to General Revenue for that time period.

REVENUE ESTIMATING CONFERENCE

Tax: County Contributions to Medicaid

Issue: Limits annual county contributions to Medicaid to no more than the county's previous fiscal year contribution plus a growth factor of three percent.

Bill Number(s): Proposed Language

Section 4: Proposed Fiscal Impact

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2015-16			($4.6m)	($33.0m)		
2016-17			($14.1m)	($33.0m)		
2017-18			($18.3m)	($33.0m)		
2018-19			($25.0m)	($33.0m)		
2019-20			($33.0m)	($33.0m)		

List of affected Trust Funds: None

Section 5: Consensus Estimate (Adopted: 04/03/2015): The Conference adopted the proposed estimate.

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2015-16	(4.6)	(33.0)	0.0	0.0	0.0	0.0	(4.6)	(33.0)
2016-17	(14.1)	(33.0)	0.0	0.0	0.0	0.0	(14.1)	(33.0)
2017-18	(18.3)	(33.0)	0.0	0.0	0.0	0.0	(18.3)	(33.0)
2018-19	(25.0)	(33.0)	0.0	0.0	0.0	0.0	(25.0)	(33.0)
2019-20	(33.0)	(33.0)	0.0	0.0	0.0	0.0	(33.0)	(33.0)

County Name	SB 1520 Original Percentage	FY2014-15 Share	Payment Weight (SSEC Percentage from April 1, 2012-March 31, 2013)	Enrollment Count (1502 Medicaid Eligibles (excludes unknowns))	Enrollment Weight FY15-16	FY2015-16 Weight (80% Payment, 20% Enrollment)	FY2015-16 Share under statute	FY2015-16 Share under 3% growth cap
ALACHUA	**1.278%**	**$3,540,060**	1.405%	39,682	1.049%	**1.334%**	**$3,745,310**	**$3,646,262**
BAKER	**0.116%**	**$321,320**	0.122%	5,900	0.156%	**0.129%**	**$361,670**	**$330,960**
BAY	**0.607%**	**$1,681,390**	0.684%	35,649	0.942%	**0.736%**	**$2,065,565**	**$1,731,832**
BRADFORD	**0.179%**	**$495,830**	0.207%	5,926	0.157%	**0.197%**	**$553,176**	**$510,705**
BREVARD	**2.471%**	**$6,844,670**	2.509%	87,896	2.323%	**2.472%**	**$6,940,814**	**$6,940,814**
BROWARD	**9.228%**	**$25,561,560**	9.292%	317,890	8.400%	**9.114%**	**$25,590,989**	**$25,590,989**
CALHOUN	**0.084%**	**$232,680**	0.084%	3,368	0.089%	**0.085%**	**$238,680**	**$238,680**
CHARLOTTE	**0.578%**	**$1,601,060**	0.607%	22,983	0.607%	**0.607%**	**$1,704,456**	**$1,649,092**
CITRUS	**0.663%**	**$1,836,510**	0.702%	25,749	0.680%	**0.698%**	**$1,958,861**	**$1,891,605**
CLAY	**0.635%**	**$1,758,950**	0.642%	28,783	0.761%	**0.666%**	**$1,869,566**	**$1,811,719**
COLLIER	**1.161%**	**$3,215,970**	1.109%	45,769	1.209%	**1.129%**	**$3,170,232**	**$3,170,232**
COLUMBIA	**0.557%**	**$1,542,890**	0.552%	16,958	0.448%	**0.531%**	**$1,491,610**	**$1,491,610**
DADE (MIAMI-DADE)	**18.853%**	**$52,222,810**	18.782%	687,849	18.176%	**18.661%**	**$52,399,526**	**$52,399,526**
DESOTO	**0.167%**	**$462,590**	0.161%	8,389	0.222%	**0.173%**	**$486,346**	**$476,468**
DIXIE	**0.098%**	**$271,460**	0.095%	4,224	0.112%	**0.098%**	**$276,307**	**$276,307**
DUVAL	**5.337%**	**$14,783,490**	5.392%	193,053	5.101%	**5.334%**	**$14,977,310**	**$14,977,310**
ESCAMBIA	**1.615%**	**$4,473,550**	1.665%	65,035	1.719%	**1.676%**	**$4,705,646**	**$4,607,757**
FLAGLER	**0.397%**	**$1,099,690**	0.413%	16,173	0.427%	**0.416%**	**$1,167,566**	**$1,132,681**
FRANKLIN	**0.091%**	**$252,070**	0.068%	2,412	0.064%	**0.067%**	**$188,698**	**$188,698**
GADSDEN	**0.239%**	**$662,030**	0.237%	12,557	0.332%	**0.256%**	**$718,848**	**$681,891**
GILCHRIST	**0.078%**	**$216,060**	0.073%	3,776	0.100%	**0.078%**	**$220,147**	**$220,147**
GLADES	**0.055%**	**$152,350**	0.057%	1,180	0.031%	**0.052%**	**$145,454**	**$145,454**
GULF	**0.076%**	**$210,520**	0.093%	2,690	0.071%	**0.089%**	**$248,789**	**$216,836**
HAMILTON	**0.075%**	**$207,750**	0.086%	3,790	0.100%	**0.089%**	**$249,350**	**$213,983**
HARDEE	**0.110%**	**$304,700**	0.133%	8,016	0.212%	**0.149%**	**$417,830**	**$313,841**
HENDRY	**0.163%**	**$451,510**	0.197%	13,118	0.347%	**0.227%**	**$637,416**	**$465,055**
HERNANDO	**0.862%**	**$2,387,740**	0.720%	35,710	0.944%	**0.765%**	**$2,147,558**	**$2,147,558**
HIGHLANDS	**0.468%**	**$1,296,360**	0.483%	21,035	0.556%	**0.498%**	**$1,397,261**	**$1,335,251**
HILLSBOROUGH	**6.953%**	**$19,259,810**	6.905%	279,612	7.389%	**7.002%**	**$19,661,054**	**$19,661,054**
HOLMES	**0.101%**	**$279,770**	0.100%	4,956	0.131%	**0.106%**	**$298,210**	**$288,163**
INDIAN RIVER	**0.397%**	**$1,099,690**	0.384%	21,956	0.580%	**0.423%**	**$1,188,346**	**$1,132,681**
JACKSON	**0.219%**	**$606,630**	0.239%	11,524	0.305%	**0.252%**	**$708,178**	**$624,829**
JEFFERSON	**0.083%**	**$229,910**	0.083%	2,807	0.074%	**0.081%**	**$228,010**	**$228,010**
LAFAYETTE	**0.014%**	**$38,780**	0.016%	1,432	0.038%	**0.020%**	**$57,283**	**$39,943**
LAKE	**1.525%**	**$4,224,250**	1.476%	56,853	1.502%	**1.481%**	**$4,159,210**	**$4,159,210**
LEE	**2.512%**	**$6,958,240**	2.651%	117,369	3.101%	**2.741%**	**$7,696,728**	**$7,166,987**
LEON	**0.929%**	**$2,573,330**	0.899%	39,733	1.050%	**0.929%**	**$2,609,194**	**$2,609,194**
LEVY	**0.256%**	**$709,120**	0.251%	9,217	0.244%	**0.250%**	**$700,877**	**$700,877**
LIBERTY	**0.050%**	**$138,500**	0.047%	1,635	0.043%	**0.046%**	**$129,730**	**$129,730**
MADISON	**0.086%**	**$238,220**	0.100%	4,928	0.130%	**0.106%**	**$297,648**	**$245,367**
MANATEE	**1.623%**	**$4,495,710**	1.647%	56,693	1.498%	**1.617%**	**$4,541,098**	**$4,541,098**
MARION	**1.630%**	**$4,515,100**	1.688%	73,976	1.955%	**1.741%**	**$4,889,851**	**$4,650,553**
MARTIN	**0.353%**	**$977,810**	0.450%	16,899	0.447%	**0.449%**	**$1,261,915**	**$1,007,144**
MONROE	**0.262%**	**$725,740**	0.313%	8,370	0.221%	**0.295%**	**$827,237**	**$747,512**
NASSAU	**0.240%**	**$664,800**	0.254%	10,833	0.286%	**0.260%**	**$731,203**	**$684,744**
OKALOOSA	**0.567%**	**$1,570,590**	0.628%	27,824	0.735%	**0.649%**	**$1,823,515**	**$1,617,708**
OKEECHOBEE	**0.235%**	**$650,950**	0.227%	10,645	0.281%	**0.238%**	**$667,742**	**$667,742**

County Name	SB 1520 Original Percentage	FY2014-15 Share	Payment Weight (SSEC Percentage from April 1, 2012-March 31, 2013)	Enrollment Count (1502 Medicaid Eligibles (excludes unknowns))	Enrollment Weight FY15-16	FY2015-16 Weight (80% Payment, 20% Enrollment)	FY2015-16 Share under statute	FY2015-16 Share under 3% growth cap
ORANGE	**6.682%**	**$18,509,140**	6.665%	255,692	6.757%	**6.683%**	**$18,766,987**	**$18,766,987**
OSCEOLA	**1.613%**	**$4,468,010**	1.492%	88,483	2.338%	**1.661%**	**$4,664,650**	**$4,602,050**
PALM BEACH	**5.899%**	**$16,340,230**	5.986%	210,588	5.565%	**5.902%**	**$16,572,254**	**$16,572,254**
PASCO	**2.392%**	**$6,625,840**	2.256%	87,804	2.320%	**2.269%**	**$6,370,790**	**$6,370,790**
PINELLAS	**6.645%**	**$18,406,650**	6.239%	150,859	3.986%	**5.788%**	**$16,253,827**	**$16,253,827**
POLK	**3.643%**	**$10,091,110**	3.442%	145,618	3.848%	**3.523%**	**$9,893,146**	**$9,893,146**
PUTNAM	**0.417%**	**$1,155,090**	0.510%	21,813	0.576%	**0.523%**	**$1,469,146**	**$1,189,743**
SAINT JOHNS	**0.459%**	**$1,271,430**	0.447%	19,421	0.513%	**0.460%**	**$1,292,242**	**$1,292,242**
SAINT LUCIE	**1.155%**	**$3,199,350**	1.137%	57,671	1.524%	**1.214%**	**$3,410,035**	**$3,295,331**
SANTA ROSA	**0.462%**	**$1,279,740**	0.817%	22,015	0.582%	**0.770%**	**$2,162,160**	**$1,318,132**
SARASOTA	**1.230%**	**$3,407,100**	1.053%	48,586	1.284%	**1.099%**	**$3,086,554**	**$3,086,554**
SEMINOLE	**1.740%**	**$4,819,800**	1.528%	56,692	1.498%	**1.522%**	**$4,273,776**	**$4,273,776**
SUMTER	**0.218%**	**$603,860**	0.266%	10,602	0.280%	**0.269%**	**$754,790**	**$621,976**
SUWANNEE	**0.252%**	**$698,040**	0.281%	11,065	0.292%	**0.283%**	**$795,226**	**$718,981**
TAYLOR	**0.103%**	**$285,310**	0.090%	5,124	0.135%	**0.099%**	**$277,992**	**$277,992**
UNION	**0.075%**	**$207,750**	0.077%	2,915	0.077%	**0.077%**	**$216,216**	**$213,983**
VOLUSIA	**2.298%**	**$6,365,460**	2.378%	96,745	2.556%	**2.414%**	**$6,777,389**	**$6,556,424**
WAKULLA	**0.103%**	**$285,310**	0.095%	4,461	0.118%	**0.100%**	**$279,677**	**$279,677**
WALTON	**0.229%**	**$634,330**	0.189%	9,569	0.253%	**0.202%**	**$566,654**	**$566,654**
WASHINGTON	**0.114%**	**$315,780**	0.124%	5,787	0.153%	**0.130%**	**$364,478**	**$325,253**
TOTAL	**100.005%**	**$277,013,850**	100.000%	3,784,332	100.000%	**100.000%**	**$280,800,000**	**$276,181,577**

Difference	**$4,618,423**

County Name	Estimated Enrollment Count March 1, 2016 (Linear Extrapolation of 2006 through 2015 March 1 Enrollment Counts)	Enrollment Weight FY16-17	**FY2016-17 Weight (60% Payment, 40% Enrollment)**	**FY2016-17 Share**
ALACHUA	39,346	1.009%	1.247%	$3,693,676
BAKER	6,149	0.158%	0.136%	$404,153
BAY	36,859	0.946%	0.789%	$2,337,214
BRADFORD	6,309	0.162%	0.189%	$560,007
BREVARD	90,330	2.318%	2.433%	$7,207,794
BROWARD	320,479	8.222%	8.864%	$26,264,032
CALHOUN	3,449	0.088%	0.086%	$253,633
CHARLOTTE	24,410	0.626%	0.615%	$1,821,060
CITRUS	26,914	0.691%	0.698%	$2,066,989
CLAY	30,112	0.773%	0.694%	$2,057,507
COLLIER	49,498	1.270%	1.173%	$3,476,784
COLUMBIA	17,198	0.441%	0.508%	$1,504,019
DADE (MIAMI-DADE)	698,316	17.916%	18.436%	$54,624,683
DESOTO	8,935	0.229%	0.188%	$557,637
DIXIE	4,289	0.110%	0.101%	$299,263
DUVAL	199,348	5.115%	5.281%	$15,648,196
ESCAMBIA	66,523	1.707%	1.682%	$4,983,173
FLAGLER	17,416	0.447%	0.427%	$1,264,016
FRANKLIN	2,483	0.064%	0.066%	$196,743
GADSDEN	12,989	0.333%	0.275%	$816,010
GILCHRIST	3,837	0.098%	0.083%	$245,929
GLADES	1,308	0.034%	0.048%	$141,631
GULF	2,769	0.071%	0.084%	$249,485
HAMILTON	3,910	0.100%	0.092%	$271,411
HARDEE	8,494	0.218%	0.167%	$494,821
HENDRY	13,355	0.343%	0.255%	$756,750
HERNANDO	37,973	0.974%	0.822%	$2,434,401
HIGHLANDS	22,090	0.567%	0.517%	$1,530,686
HILLSBOROUGH	289,148	7.419%	7.111%	$21,068,708
HOLMES	5,316	0.136%	0.114%	$338,967
INDIAN RIVER	23,146	0.594%	0.468%	$1,386,684
JACKSON	11,743	0.301%	0.264%	$781,639
JEFFERSON	2,916	0.075%	0.080%	$236,447
LAFAYETTE	1,431	0.037%	0.024%	$72,297
LAKE	59,402	1.524%	1.495%	$4,430,278
LEE	124,212	3.187%	2.865%	$8,490,180
LEON	40,182	1.031%	0.952%	$2,820,183
LEVY	9,637	0.247%	0.249%	$738,972
LIBERTY	1,724	0.044%	0.046%	$135,705
MADISON	5,004	0.128%	0.111%	$329,486
MANATEE	59,304	1.522%	1.597%	$4,731,911
MARION	77,491	1.988%	1.808%	$5,357,104
MARTIN	17,931	0.460%	0.454%	$1,345,202
MONROE	8,603	0.221%	0.276%	$818,381
NASSAU	11,451	0.294%	0.270%	$800,010
OKALOOSA	28,621	0.734%	0.670%	$1,986,395
OKEECHOBEE	11,128	0.286%	0.251%	$742,528

County Name	Estimated Enrollment Count March 1, 2016 (Linear Extrapolation of 2006 through 2015 March 1 Enrollment Counts)	Enrollment Weight FY16-17	**FY2016-17 Weight (60% Payment, 40% Enrollment)**	**FY2016-17 Share**
ORANGE	261,683	6.714%	**6.685%**	**$19,806,470**
OSCEOLA	90,483	2.321%	**1.824%**	**$5,403,327**
PALM BEACH	220,469	5.656%	**5.854%**	**$17,345,402**
PASCO	90,248	2.315%	**2.280%**	**$6,754,455**
PINELLAS	156,006	4.003%	**5.345%**	**$15,836,050**
POLK	148,490	3.810%	**3.589%**	**$10,634,800**
PUTNAM	22,675	0.582%	**0.539%**	**$1,596,464**
SAINT JOHNS	20,076	0.515%	**0.474%**	**$1,405,055**
SAINT LUCIE	58,826	1.509%	**1.286%**	**$3,809,825**
SANTA ROSA	22,913	0.588%	**0.725%**	**$2,149,360**
SARASOTA	52,206	1.339%	**1.167%**	**$3,459,006**
SEMINOLE	58,282	1.495%	**1.515%**	**$4,488,352**
SUMTER	10,869	0.279%	**0.271%**	**$803,566**
SUWANNEE	11,459	0.294%	**0.286%**	**$848,011**
TAYLOR	5,316	0.136%	**0.108%**	**$321,189**
UNION	3,103	0.080%	**0.078%**	**$231,707**
VOLUSIA	100,546	2.580%	**2.459%**	**$7,285,424**
WAKULLA	4,769	0.122%	**0.106%**	**$313,485**
WALTON	9,626	0.247%	**0.212%**	**$628,749**
WASHINGTON	6,120	0.157%	**0.137%**	**$406,524**
TOTAL	3,897,643	100.000%	**100.000%**	**$296,300,000**

County Name	Percent Change FY2014-15 to FY2015-16 (Under current law)	Percent Change FY2015-16 to FY2016-17 (Under current law)	Percent Change FY2014-15 to FY2015-16 (Under 3% cap)	Percent Change FY2015-16 to FY2016-17 (Under proposed language)
ALACHUA	5.798%	-1.379%	3.000%	1.300%
BAKER	12.558%	11.746%	3.000%	22.116%
BAY	22.849%	13.151%	3.000%	34.956%
BRADFORD	11.566%	1.235%	3.000%	9.654%
BREVARD				
BROWARD				
CALHOUN				
CHARLOTTE	6.458%	6.841%	3.000%	10.428%
CITRUS	6.662%	5.520%	3.000%	9.272%
CLAY	6.289%	10.053%	3.000%	13.567%
COLLIER				
COLUMBIA				
DADE (MIAMI-DADE)				
DESOTO	5.135%	14.659%	3.000%	17.036%
DIXIE				
DUVAL				
ESCAMBIA	5.188%	5.898%	3.000%	8.147%
FLAGLER	6.172%	8.261%	3.000%	11.595%
FRANKLIN				
GADSDEN	8.582%	13.516%	3.000%	19.669%
GILCHRIST				
GLADES				
GULF	18.178%	0.280%	3.000%	15.057%
HAMILTON	20.024%	8.847%	3.000%	26.838%
HARDEE	37.128%	18.426%	3.000%	57.666%
HENDRY	41.174%	18.722%	3.000%	62.723%
HERNANDO				
HIGHLANDS	7.783%	9.549%	3.000%	14.637%
HILLSBOROUGH				
HOLMES	6.591%	13.667%	3.000%	17.630%
INDIAN RIVER	8.062%	16.690%	3.000%	22.425%
JACKSON	16.740%	10.373%	3.000%	25.097%
JEFFERSON				
LAFAYETTE	47.713%	26.210%	3.000%	80.999%
LAKE				
LEE	10.613%	10.309%	3.000%	18.462%
LEON				
LEVY				
LIBERTY				
MADISON	24.947%	10.696%	3.000%	34.283%
MANATEE				
MARION	8.300%	9.556%	3.000%	15.193%
MARTIN	29.055%	6.600%	3.000%	33.566%
MONROE	13.985%	-1.071%	3.000%	9.481%
NASSAU	9.988%	9.410%	3.000%	16.833%
OKALOOSA	16.104%	8.932%	3.000%	22.791%
OKEECHOBEE				

County Name	Percent Change FY2014-15 to FY2015-16 (Under current law)	Percent Change FY2015-16 to FY2016-17 (Under current law)	Percent Change FY2014-15 to FY2015-16 (Under 3% cap)	Percent Change FY2015-16 to FY2016-17 (Under proposed language)
ORANGE				
OSCEOLA	4.401%	15.836%	3.000%	17.411%
PALM BEACH				
PASCO				
PINELLAS				
POLK				
PUTNAM	27.189%	8.666%	3.000%	34.186%
SAINT JOHNS				
SAINT LUCIE	6.585%	11.724%	3.000%	15.613%
SANTA ROSA	68.953%	-0.592%	3.000%	63.061%
SARASOTA				
SEMINOLE				
SUMTER	24.994%	6.462%	3.000%	29.196%
SUWANNEE	13.923%	6.638%	3.000%	17.946%
TAYLOR				
UNION	4.075%	7.164%	3.000%	8.283%
VOLUSIA	6.471%	7.496%	3.000%	11.119%
WAKULLA				
WALTON				
WASHINGTON	15.422%	11.536%	3.000%	24.987%
TOTAL				

REVENUE ESTIMATING CONFERENCE

Tax: Highway Safety Fees
Issue: Red Light Cameras
Bill Number(s): CS/SB 1184

☒ **Entire Bill**
☐ **Partial Bill**:
Sponsor(s): Transportation and Brandes
Month/Year Impact Begins: 10/1/2015
Date of Analysis: 4/3/2015

Section 1: Narrative

a. Current Law:
Section 316.0083, Florida Statutes, provides for the administration of the Mark Wandall Traffic Safety Program. Section 316.0776, Florida Statutes, provides for placement and installation of traffic infraction detectors.

b. Proposed Change:
Section 316.0083, F.S., is amended to provide: 1) noncompliance of annual reporting requirements will result in local jurisdictions remitting their portion of revenue collected to the Department of Revenue to maintain until the local jurisdiction establishes compliance. 2) Annual reports from the local jurisdiction are due no later than 9/30 of each year and must include information and data defined in statue: a) Name of jurisdiction and administrative contact information. b) Location of each camera (geo-spatial and cross-road description). c) Date each camera become operational and dates of operation. d) Data related to issuance and disposition of NOVs and subsequent UTCs. e) Crash data with 250-foot radius of geo-spatial coordinates during 12-month period after becoming operational. f) Identification of any and all alternative safety measures, which the jurisdiction considered or implemented during the reporting period in lieu of or in addition to the use of a traffic infraction detector.

Section 316.0076, F.S., is amended to provide: 1) a notice of violation or uniform traffic citation may not be issued through the use of a traffic infraction detector that is not in compliance with all specifications prescribed by the Department of Transportation. 2) DOT shall identify engineering countermeasures before the installation of a traffic infraction detector on any roadway. The decision to place TDI must be based on the results of traffic engineering study that documents the implementation and failure of any countermeasure appropriate for the specific location. The study must be signed and sealed by a professional engineer licensed in Florida.

Section 2: Description of Data and Sources

February 27, 2015 HSMV REC revenue and transactions forecast through FY 2019-20.
DHSMV Red-Light Camera Summary Report FY 2013-2014, Revised 2/27/2015
Telephone interview with ATS representative
Distribution Schedule of Court-Related Filing Fees, Service Charges, Costs, and Fines, including a Recording Fee Schedule, Updated October 2014

Section 3: Methodology (Include Assumptions and Attach Details)

Section 316.0083, F.S.:
This analysis assumes all jurisdictions will be in compliance with the amended section 316.0083, F.S. While the more stringent requirements for mandatory annual reporting will be a greater administrative burden and the compliance rates in prior years have not been 100%, jurisdictions will comply due to the stricter penalties for noncompliance.

Section 316.0076, F.S.:
<u>High option</u>: Due to the lack of specific "grandfathering" language in the proposed language, the high option assumes the engineering countermeasure study requirement would apply to both existing TDIs and any new installations. This would permanently shut down all RLC programs in the state. The shutdown results in a loss of direct RLC revenue and the subsequent UTC revenue. (See attached)

<u>Middle option</u>: Due to the lack of specific "grandfathering" language in the proposed language, the middle option assumes each jurisdiction will interpret how the engineering countermeasure study requirement would apply to both existing TDIs and any new

installations. Based on their interpretations (mainly of how to treat existing approaches), each jurisdiction will determine how they will proceed with administering their RLC program. Under these assumptions the impact would be negative and indeterminate.

Low option: While there is a lack of specific "grandfathering" language in the proposed language, the low option assumes that the engineering countermeasure study requirement would only apply to new installations. The requirement to test any and all countermeasures and having these tests documented and signed-off on by an engineer leads this analysis to assume a shutdown of any potential new installations over the current forecast horizon. The current forecast assumes zero net growth in approaches for FY 2015-16 through FY 2019-20; however, it is assumed that over time approaches will be added and deleted at intersections within existing RLC programs in response to changes in compliance and traffic patterns. This interpretation of the bill would remove the "net zero" assumption. This analysis uses the HSMV "Red-Light Camera" Survey Report FY 2013-14 (approx. 661 intersections with RLCs) and the HSMV REC FY 13-14 history ($66 million) to estimate the average revenue generated by a RLC intersection as approximately $100,000 in State revenue per intersection with TDIs. A representative from American Traffic Solutions (the largest provider of red light cameras in the state) provided figures regarding proposed new intersections for their clients between 4/1/15 and 12/31/15 at approximately 100 "new" intersections in the first year. In the subsequent years, further loss of cameras is estimated to be 50% of the prior year loss until maxing out at $40 million. The loss of these "new" installations would result in the loss of both direct RLC revenue and subsequent UTC revenue. (See attached)

Section 4: Proposed Fiscal Impact

GR	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2015-16	(39.1)	(58.7)	(Indeterminate)	(Indeterminate)	(8.9)	(8.9)
2016-17	(59.5)	(59.5)	(Indeterminate)	(Indeterminate)	(13.4)	(13.4)
2017-18	(60.2)	(60.2)	(Indeterminate)	(Indeterminate)	(15.8)	(15.8)
2018-19	(60.9)	(60.9)	(Indeterminate)	(Indeterminate)	(17.0)	(17.0)
2019-20	(61.7)	(61.7)	(Indeterminate)	(Indeterminate)	(17.0)	(17.0)

TRUST	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2015-16	(7.5)	(11.2)	(Indeterminate)	(Indeterminate)	(1.7)	(1.7)
2016-17	(11.3)	(11.3)	(Indeterminate)	(Indeterminate)	(2.6)	(2.6)
2017-18	(11.5)	(11.5)	(Indeterminate)	(Indeterminate)	(3.0)	(3.0)
2018-19	(11.6)	(11.6)	(Indeterminate)	(Indeterminate)	(3.2)	(3.2)
2019-20	(11.7)	(11.7)	(Indeterminate)	(Indeterminate)	(3.2)	(3.2)

REVENUE ESTIMATING CONFERENCE

Tax: Highway Safety Fees
Issue: Red Light Cameras
Bill Number(s): CS/SB 1184

LOCAL	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2015-16	(45.2)	(67.9)	(Indeterminate)	(Indeterminate)	(10.3)	(10.3)
2016-17	(68.8)	(68.8)	(Indeterminate)	(Indeterminate)	(15.5)	(15.5)
2017-18	(69.6)	(69.6)	(Indeterminate)	(Indeterminate)	(18.3)	(18.3)
2018-19	(70.5)	(70.5)	(Indeterminate)	(Indeterminate)	(19.7)	(19.7)
2019-20	(71.3)	(71.3)	(Indeterminate)	(Indeterminate)	(19.7)	(19.7)

List of affected Trust Funds:
General Revenue Funds
State Transportation Trust Fund
Department of Health Emergency Medical Services Trust Fund
Brain & Spinal Cord Injury Trust Fund
State Courts Revenue Trust Fund
State Attorneys Revenue Trust Fund
Public Defenders Revenue Trust Fund
State Radio Systems Trust Fund

Section 5: Consensus Estimate (Adopted: 04/03/2015): The Conference adopted the numbers in the table as the minimum impact for the proposed change. The estimate is based on a 50% increase to the impact every year until the impact caps at ($40m) in FY2018-19.

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2015-16	(8.9)	(17.0)	(1.7)	(3.2)	(10.3)	(19.7)	(20.8)	(40.0)
2016-17	(13.4)	(17.0)	(2.6)	(3.2)	(15.5)	(19.7)	(31.5)	(40.0)
2017-18	(15.8)	(17.0)	(3.0)	(3.2)	(18.3)	(19.7)	(37.2)	(40.0)
2018-19	(17.0)	(17.0)	(3.2)	(3.2)	(19.7)	(19.7)	(40.0)	(40.0)
2019-20	(17.0)	(17.0)	(3.2)	(3.2)	(19.7)	(19.7)	(40.0)	(40.0)

Section 316.0076, F.S.: Engineering Countermeasures

High

		2015-16	2016-17	2017-18	2018-19	2019-20	
RLC Revenue (2/27/15 HSMV REC)							
Remitted by Local Gov. to DOR		56.8	57.5	58.2	59.0	59.7	
Remitted by Clerks of Court to DOR (LEO)		9.3	9.4	9.6	9.7	9.8	
Total		66.1	67.0	67.8	68.6	69.5	
RLC Transactions							
Remitted by Local Gov. to DOR		683,917	693,024	701,770	710,400	718,906	
Remitted by Clerks of Court to DOR (LEO)		112,352	113,848	115,285	116,703	118,100	
Total		796,269	806,872	817,055	827,103	837,006	
GR		55.7	56.5	57.2	57.9	58.6	
TRUST		10.4	10.5	10.6	10.8	10.9	
LOCAL		59.72	60.52	61.28	62.03	62.78	
	Subtotal	125.8	127.5	129.1	130.7	132.2	
UTC Add-on							
GR		2.0	2.0	2.0	2.0	2.1	
TRUST		1.8	1.8	1.8	1.9	1.9	
LOCAL		8.1	8.3	8.4	8.5	8.6	
	Subtotal	11.9	12.1	12.2	12.4	12.5	
RLC and UTC Total							
GR		(57.7)	(58.5)	(59.2)	(59.9)	(60.7)	
TRUST		(12.1)	(12.3)	(12.5)	(12.6)	(12.8)	
LOCAL		(67.9)	(68.8)	(69.6)	(70.5)	(71.3)	
	Subtotal	(137.7)	(139.6)	(141.3)	(143.1)	(144.8)	
							1sy YR Cash
GR (w/ SVC CHG)		(58.7)	(59.5)	(60.2)	(60.9)	(61.7)	(39.12)
TRUST (w/ SVC CHG)		(11.2)	(11.3)	(11.5)	(11.6)	(11.7)	(7.45)
Local		(67.9)	(68.8)	(69.6)	(70.5)	(71.3)	(45.24)
Total		(137.7)	(139.6)	(141.3)	(143.1)	(144.8)	(91.81)

Middle Negative Indeterminate.

Low

No. of intersections (HSMV Report FY 13-14)		634
No. Jursidiction Reported		68
No. Jurisdiciotion Not Report (ACTIVE)		3
True Up		4.2%
No. of intersections (FY 13-14)		661
FY 13-14 Total State Rev.		66.0
Avg. State rev. per Intersection		0.1
No. of "new" intersections (4/1/15 - 12/31/15)		100
Initial State Revenue Impact		-10.0
RLC N.O.V		
Transactions		(120,353)
GR		(8.4)
TRUST		(1.6)
LOCAL		(9.0)
	Subtotal	(19.0)
UTC Add On		
Transactions (14.11% of All Transactions)		(16,982)
GR		(0.3)
TRUST		(0.3)
LOCAL		(1.2)
	Subtotal	(1.8)
Total		
GR		(8.7)
TRUST		(1.8)
LOCAL		(10.3)
Total		(20.8)

	2015-16	2016-17	2017-18	2018-19	2019-20
GR (w/ SVC CHG)	(8.9)	(13.4)	(15.8)	(17.0)	(17.0)
TRUST (w/ SVC CHG)	(1.7)	(2.6)	(3.0)	(3.2)	(3.2)
Local	(10.3)	(15.5)	(18.3)	(19.7)	(19.7)
Total	(20.8)	(31.5)	(37.2)	(40.0)	(40.0)

REVENUE ESTIMATING CONFERENCE

Tax: Insurance Premium Tax
Issue: New Markets/Credit Schedule
Bill Number(s): Proposed Language

[x] **Entire Bill**
[ ] **Partial Bill**:
Sponsor(s):
Month/Year Impact Begins: Not provided but no earlier than March 1, 2016
Date of Analysis: April, 2, 2015

Section 1: Narrative

a. Current Law:

Section 288.9916, F.S, states that a person or entity that makes a qualified investment earns a vested tax credit pursuant to the New Markets Development Program Act against taxes under s. 220.11 or s. 624.509 equal to 39 percent of the purchase price of the qualified investment. The holder of a qualified investment may claim the tax credit as follows:

(a) The holder may apply 7 percent of the purchase price against its tax liability in the tax year containing the third credit allowance date.

(b) The holder may apply 8 percent of the purchase price against its tax liability in the tax years containing the fourth through seventh credit allowance dates.

Section 288.9914(3)(c) The department may not approve a cumulative amount of qualified investments that may result in the claim of more than $216.34 million in tax credits during the existence of the program or more than $36.6 million in tax credits in a single state fiscal year. However, the potential for a taxpayer to carry forward an unused tax credit may not be considered in calculating the annual limit.

DEO reports all $216.34 million in tax credits have been allocated.

b. Proposed Change:

The proposed language would change the credit schedule for qualified investments issued after July 1, 2015 so that the holder may apply 13 percent of the purchase price against its tax liability in the tax year containing the first through third credit allowance dates. Qualified investments issued prior to July, 1, 2015 would be treated as they are under current law.

Section 2: Description of Data and Sources

Section 3: Methodology (Include Assumptions and Attach Details)

There may be a possibility that some of the fully allocated amount might become available to be allocated again in a future year, some of which might occur after the July, 1 2015 date. However, we have no information at this time that any amount of the current cap may be reallocated.

The percentages under current law are applied to the available amount ($0) to find the available credit under current law. The proposed percentage of 13% for the first through third year is used to find the available credit under the proposed language. The available credit under current law and the proposed language are differenced to find the impact.

Section 4: Proposed Fiscal Impact

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2015-16						
2016-17						
2017-18						
2018-19						
2019-20						

List of affected Trust Funds:

REVENUE ESTIMATING CONFERENCE

Tax: Insurance Premium Tax
Issue: New Markets/Credit Schedule
Bill Number(s): Proposed Language

Section 5: Consensus Estimate (Adopted: 04/03/2015): The Conference adopted a zero impact.

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2015-16	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2016-17	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2017-18	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2018-19	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2019-20	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

	A	B	C	D	E	F
1						
2	**Available Amount**	0				
3						
4		**Current Law**		**Proposed Law**		**Difference**
5	**Credit Allowance Date**	**% of Purchase Price**	**Credit**	**% of Purchase Price**	**Credit**	
6	1	0%	0	13%	0	0
7	2	0%	0	13%	0	0
8	3	7%	0	13%	0	0
9	4	8%	0	0%	0	0
10	5	8%	0	0%	0	0
11	6	8%	0	0%	0	0
12	7	8%	0	0%	0	0

REVENUE ESTIMATING CONFERENCE

Tax: Corporate Income Tax/Sales and Use Tax
Issue: High Impact Production - CITC
Bill Number(s): Proposed Language

☐ **Entire Bill**
☐ **Partial Bill**:
Sponsor(s):
Month/Year Impact Begins: 07/01/2015, references to section 288.1254 shall be in effect 01/01/2015
Date of Analysis: March 30, 2015

Section 1: Narrative

a. Current Law: The capital investment tax credit (CITC) is an annual credit against CIT equal to 5% of eligible capital costs by a qualifying project, for a period up to 20 years beginning with commencement of operations. Credit granted against CIT or IPT. No credit forwards or backwards. Annual credit shall not exceed percentage of annual liability based on size of project (100% of $100m project, 75% of $50-$100m, or $25m-$50m.) Qualifying projects include projects from high impact sectors industries (aviation, aerospace, automotive, silicon and information technology), targeted industries, or in enterprise zone or brownfields.

b. Proposed Change: Creates subsection 9 – **High Impact Production Investment** of section 220.191, F.S. (the statute creating the Capital Investment Tax Credit). Refers to s. 288.1254, F.S. for the definitions that define the credit. These definitions are related to the Entertainment Industry Financial Incentive Program.

Defines a "**High Impact Production Commitment**" to mean a commitment by a **qualified production company** to at least <u>$50 million in **production expenditures** each year for three years</u>, at least 50% of it to be capital investment (*needs definition as the definitions of s.220.191(1) do not apply*) or **qualified expenditures** in connection with **High Impact Productions** in this state, including set construction and payments for services performed by legal residents of this state.

Production expenditures are defined in s. 288.1254(1)(h),F,S.:

(h) "Production expenditures" means the costs of tangible and intangible property used for, and services performed primarily and customarily in, production, including preproduction and postproduction, but excluding costs for development, marketing, and distribution. The term includes, but is not limited to:

1. Wages, salaries, or other compensation paid to <u>legal residents of this state</u>, including amounts paid through payroll service companies, for technical and production crews, directors, producers, and performers.
2. Net expenditures for sound stages, backlots, production editing, digital effects, sound recordings, sets, and set construction.
3. Net expenditures for rental equipment, including, but not limited to, cameras and grip or electrical equipment.
4. Up to $300,000 of the costs of newly purchased computer software and hardware unique to the project, including servers, data processing, and visualization technologies, <u>which are located in and used exclusively in the state for the production of digital media</u>.
5. Expenditures for meals, travel, and accommodations. For purposes of this paragraph, the term "net expenditures" means the actual amount of money a qualified production spent for equipment or other tangible personal property, after subtracting any consideration received for reselling or transferring the item after the qualified production ends, if applicable.

Qualified expenditures are defined in s. 288.1254(1)(i),F,S.:

(i) "Qualified expenditures" means production expenditures <u>incurred in this state</u> by a qualified production for:

1. Goods purchased or leased from, or services, including, but not limited to, insurance costs and bonding, payroll services, and legal fees, which are provided by, a vendor or supplier in this state that is registered with the Department of State or the Department of Revenue, has a physical location in this state, and employs one or more legal residents of this state. This does not include rebilled goods or services provided by an in-state company from out-of-state vendors or suppliers. When services provided by the vendor or supplier include personal services or labor, only personal services or labor provided by residents of this state, evidenced by the required documentation of residency in this state, qualify.
2. Payments to legal residents of this state in the form of salary, wages, or other compensation up to a maximum of $400,000 per resident unless otherwise specified in subsection (4). A completed declaration of residency in this state must accompany the documentation submitted to the office for reimbursement.

REVENUE ESTIMATING CONFERENCE

Tax: Corporate Income Tax/Sales and Use Tax
Issue: High Impact Production - CITC
Bill Number(s): Proposed Language

High Impact Productions are defined as:

- Digital media project with **qualified expenditures** of at least $5 million.
- Telenovelas with **qualified expenditures** of at least $7.5 million -OR-
- A production created to run multiple production seasons and having an estimated order of at least 10 episodes per season and **qualified expenditures** of at least $2 million per episode.

Defines a "**High Impact Production Tax Credit**" to mean (notwithstanding section 2 that deals with current CITC credit of 5% of eligible costs) an amount equal to 25% of the **actual qualified expenditures** (defined in s. 288.1254(1)(h), F.S. to mean production expenditures incurred in this state by a qualified production include goods purchased or leased by a vendor or supplier registered in Florida, payments to legal residents).

Establishes that a **qualified production company** (defined in s. 288.1254(1)(k) to mean a corporation, LLC, partnership, or other legal entity engaged in one or more productions in the state) are not subject to sections (5) and (8) and must apply to the Office of Film and Entertainment. (Section 5 requires DEO and Enterprise Florida to review and certify the applicants and upon certification, enter into an agreement with DOR to determine the income of the project. Section 8 establishes that DOR may specify by rule how to determine a project's annual taxable income.) The Bill allows for a subsequent **High Impact Production Commitment** to be applied for in its 3rd year of its current commitment. A High Impact Production Commitment may be made by a **qualified production company** on the collection behalf of its affiliates and subsidiaries.

Establishes that subsections (4), (6), and (7) do not apply. (Section 4 requires a minimum employment goal be met prior to receiving tax credits. Section 6 authorizes DEO, in consult with EFI, to development guidelines and materials to administer the credit. Section 7 requires the qualifying business to demonstrate to DOR that it's meeting its job creation and capital investment requirements.) Tasks OFE with authorizing the credit upon verification of **actual qualified expenditures** (as defined in s.288.1254(3),F.S., which establishes the auditing process for verifying expenditures) has met its annual **High Impact Production Commitment**.

Establishes that subsection (3) does not apply. (Section 3 establishes a cap of $15 million, the credit of 5% of eligible capital costs, not to exceed 20 years, credit carry-forward, and use by affiliated companies or related entities). A **High Impact Production Tax Credit** may apply to corporate income tax or sales tax collected or accrued by the **qualified production company** or its affiliates, partners, or members. Credits may only be used in taxable or reporting year in which the credit was awarded. Credits may not be sold or assigned to an unrelated party, except for a **qualified production company** with more than 50% of the sales from its **High Impact Production Investment** (*which is not defined, but the name of the section*) arising from outside Florida may transfer the credit to another business in a high-impact sector, so long as compensation is solely between transferor and transferee.

Bill adds that the references to s.288.1254, F.S., shall be in effect January 1, 2015. Bill takes effect July 1, 2015.

Section 2: Description of Data and Sources
DEO Data
IMDB
Univision plans three new cable TV channels: http://articles.latimes.com/2011/may/19/business/la-fi-ct-univision-20110519

Section 3: Methodology (Include Assumptions and Attach Details)
Assume the production expenditures and capital investments are meant to be in the state. Univision is currently in an agreement with DEO (data available on DEO's portal) to make a $164 million capital investment between January 1, 2015 and December 31, 2016 to receive a HIPI incentive. Estimate assumes this project will be eligible for the credit.

Assume the bill requires qualified production companies make a three year commitment to spend at least $50 million a year on production expenditures, half of which must be on capital investment or qualified expenditures, and that the expenditures can be made by the company or its affiliates and subsidiaries. Assumes the majority of the credit will be taken against sales and use tax as the credit must be taken the same year it was approved and the uncertainty of liability for corporate income tax would push companies to use the credit against sales tax or transfer it to an affiliate that can use the credit against sales tax. The analysis

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assumes that the production expenditures that started in January 1, 2015 would be counted as part of the 3 year commitment requirement and would be counted against the 2015-16 FY annual commitment requirements.

Assumed the lack of definition for "sales from its **High Impact Production Investment**" allows for a broad use of the exception as it is not clear as to be what would be excluded.

See attached.

Section 4: Proposed Fiscal Impact

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2015-16			($12.5m)	($25.0m)	($12.5m)	($12.5m)
2016-17			($41.0m)	($25.0m)	($28.5m)	($12.5m)
2017-18			($25.0m)	($25.0m)	($12.5m)	($12.5m)
2018-19			($12.5m)	($25.0m)	0	($12.5m)
2019-20			($12.5m)	($25.0m)	0	($12.5m)

List of affected Trust Funds: Sales and Use Tax

Section 5: Consensus Estimate (Adopted: 04/03/2015): The Conference adopted the middle as the minimum impact for the proposed change. To get to this impact, the Conference had to make a number of assumptions that were key to its evaluation: (1) the capital investment will be deemed a qualified expenditure; (2) the capital investment will be related to the High Impact Production; (3) production expenditures that began on or after January 1, 2015 will be counted towards the annual commitment requirements; (4) the commitment will be made for 3 consecutive years; and (5) the vagueness of the language in reference to sales from the investment occurring outside of Florida will allow for the production company to transfer the tax credits to an entity that could immediately use them—particularly to sales tax payers.

	GR		Trust		Revenue Sharing		Local Half Cent	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2015-16	(10.2)	(20.5)	(Insignificant)	(Insignificant)	(0.3)	(0.7)	(1.0)	(1.9)
2016-17	(33.5)	(20.5)	(Insignificant)	(Insignificant)	(1.1)	(0.7)	(3.2)	(1.9)
2017-18	(20.5)	(20.5)	(Insignificant)	(Insignificant)	(0.7)	(0.7)	(1.9)	(1.9)
2018-19	(10.2)	(20.5)	(Insignificant)	(Insignificant)	(0.3)	(0.7)	(1.0)	(1.9)
2019-20	(10.2)	(20.5)	(Insignificant)	(Insignificant)	(0.3)	(0.7)	(1.0)	(1.9)

	Local Option		Total Local		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2015-16	(1.0)	(1.9)	(2.3)	(4.5)	(12.5)	(25.0)
2016-17	(3.2)	(1.9)	(7.5)	(4.5)	(41.0)	(25.0)
2017-18	(1.9)	(1.9)	(4.5)	(4.5)	(25.0)	(25.0)
2018-19	(1.0)	(1.9)	(2.3)	(4.5)	(12.5)	(25.0)
2019-20	(1.0)	(1.9)	(2.3)	(4.5)	(12.5)	(25.0)

January 1, 2015 through December 31, 2016 - Univision must make $164 million capital investment to receive second payment of HIPI incentive.

To be eligible to receive the credit:

1. Must commit to $50m a year for three years in production expenditures (assume must be in FL) of which
2. At least half (>$25m) must be either capital investment or qualified expenditures in connection with high impact productions.
   High Impact Productions are:
   - digital media projects with QE greater than $5m.
   - telenovelas with QE greater than $7.5m.
   - Productions created to run multiple season and have at least 10 episodes per season and QE greater than $2m/episode.

History Projects that received a tax credit award

Project Type	# of projects	Total QE FY10/11 through FY13/14
Digital Media with QE> $5m	6	$69,143,847
Productions that run multiple seasons with at least 10 episodes with $2m/episode	2	$59,472,837
Telenovelas w/QE >$7.5m	3	$37,085,348

For the Low:

Assume capital investment expenditures go as follows:		Impact	
FY 2015-16	$50 million (minimum annual requirement)	$50m * 25%	$12.5
FY 2016-17	$164 million - $50 million = $114 million	$114m * 25%	$28.5
FY 2017 -18	$50 million (minimum annual requirement of production expenditures)	$50m * 25%	$12.5

For the middle, assume an additional production company takes advantage with a $150m investment starting in FY 16-17.

	Low		Middle	
	Cash	Recurring	Cash	Recurring
2015-16	$12.5	$12.5	$12.5	$25.0
2016-17	$28.5	$12.5	$41.0	$25.0
2017-18	$12.5	$12.5	$25.0	$25.0
2018-19		$12.5	$12.5	$25.0
2019-20		$12.5	$12.5	$25.0

+