

REVENUE ESTIMATING CONFERENCE

Tax: Sales and Use Tax

Issue: Sales Tax on Boat Repair Cap

Bill Number(s): Proposed Language

☒ **Entire Bill**

☐ **Partial Bill:**

Sponsor(s):

Month/Year Impact Begins: July 1, 2017 (One month delay to Collections)

Date of Analysis: February 3, 2017

Section 1: Narrative

- a. **Current Law:** Section 212.05 (5) F.S., states: "Notwithstanding any other provision of this chapter, the maximum amount of tax imposed under this chapter and collected on each sale or use of boat in this state may not exceed \$18,000 and for each repair of a boat in this state may not exceed \$60,000."
- b. **Proposed Change:** The proposed language changes section 212.05 (5) F.S., to read: "Notwithstanding any other provision of this chapter, the maximum amount of tax imposed under this chapter and collected on each sale or use of boat in this state may not exceed \$18,000 and for each repair of a boat in this state may not exceed \$36,000."

Section 2: Description of Data and Sources

Department of Revenue Annual Sales Data 2012 & 2013 & 2014 & 2015

General Revenue Estimating Conference 12/2016

Previous Analysis conducted in 6/2015

Section 3: Methodology (Include Assumptions and Attach Details)

It is assumed that certain coastal businesses in specific NAICS codes are engaged primarily in the repair of boats. The number of transaction occurring at these locations that are currently over the limit set by the proposed language is unknown.

The sales and use tax due in this industry for businesses with more than \$3.95 million in Gross Sales in 2012 was \$51.5 million, in 2013 it was \$63.6 million, in 2014 it was \$77.0 million, and in 2015 it was \$87.4 million.

From here three groups were created and added together to get the final total. The first two groups come from the previously adopted 2015 analysis, and they both use the businesses over \$3.95 million in Gross Sales as their base. The prior conference adopted the low estimate at 5% of taxable sales value coming from the portion of sales exceeding \$1 million. For all the dollars spent over \$1 million, there should be some additional piece that is attached to the previously adopted impact. This additional piece was calculated by using average boat repair prices for super yachts. The high uses 1.2 million, the middle uses 1.4 million and the low uses 1.8. Data provided by the industry indicates average repairs of boats in this price range vary from 1 to 2 million.

Within the businesses with over \$3.95 million in gross sales, there are entities that would additionally benefit beyond those sales previously exempt. These businesses' sales may not have been subject to the cap previously but the volume of sales subject to the new lower cap could offset the difference in total price. This second group is the adjustment for businesses with more than \$3.95 million less the sales previously adopted as exempt in the conference. This new total is then used to generate the same range of impacts where the middle estimate assumes that 10 percent of the tax remitted from these entities comes from tax due on transactions above this limit. The High is 12.5% and the low is 5% of tax due. The impact is grown at the other consumer durables growth rate.

The final group is the businesses that would not have met the \$3.95 million in gross sales criteria for the first two groups. This group was found by taking the 2014 and 2015 Annual Sales tax data and finding the total of businesses that had Gross Sales below \$3.95 million and above three different breaks. The High is all businesses below the \$3.95 million, and above \$600 thousand in Gross Sales. The Middle is above \$1.2 million, and the low is those businesses that are above \$2.37 million in Gross Sales. The low group has the least number of total business meeting the \$36 thousand cap. Other Consumer Durables growth rates and the previously adopted percentage of Tax Collections generated by exempt dollars of 5% was applied to the group to obtain a total. The total from all three groups is then summed up.

The cash value for 2017-18 is equal to eleven months of collections.

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PropSection 4: Proposed Fiscal Impact

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2017-18	\$(19.8 M)	\$(21.6 M)	\$(13.4 M)	\$(14.6 M)	\$(6.7 M)	\$(7.4 M)
2018-19	\$(22.2 M)	\$(22.2 M)	\$(15.0 M)	\$(15.0 M)	\$(7.6 M)	\$(7.6 M)
2019-20	\$(22.9 M)	\$(22.9 M)	\$(15.5 M)	\$(15.5 M)	\$(7.8 M)	\$(7.8 M)
2020-21	\$(23.6 M)	\$(23.6 M)	\$(15.9 M)	\$(15.9 M)	\$(8.0 M)	\$(8.0 M)
2021-22	\$(24.3 M)	\$(24.3 M)	\$(16.4 M)	\$(16.4 M)	\$(8.3 M)	\$(8.3 M)

List of affected Trust Funds: Sales Tax Trust Fund Grouping

Section 5: Consensus Estimate (Adopted: 02/03/2017): The Conference adopted the middle for Groups 1 & 3 and the low for Group 2. The first year's cash impact is the same as the recurring impact.

	GR		Trust		Revenue Sharing		Local Half Cent	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2017-18	(9.0)	(9.0)	(Insignificant)	(Insignificant)	(0.3)	(0.3)	(0.9)	(0.9)
2018-19	(9.3)	(9.3)	(Insignificant)	(Insignificant)	(0.3)	(0.3)	(0.9)	(0.9)
2019-20	(9.6)	(9.6)	(Insignificant)	(Insignificant)	(0.3)	(0.3)	(0.9)	(0.9)
2020-21	(9.9)	(9.9)	(Insignificant)	(Insignificant)	(0.3)	(0.3)	(1.0)	(1.0)
2021-22	(10.2)	(10.2)	(Insignificant)	(Insignificant)	(0.3)	(0.3)	(1.0)	(1.0)

	Local Option		Total Local		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2017-18	(Insignificant)	(Insignificant)	(1.2)	(1.2)	(10.2)	(10.2)
2018-19	(Insignificant)	(Insignificant)	(1.2)	(1.2)	(10.5)	(10.5)
2019-20	(Insignificant)	(Insignificant)	(1.2)	(1.2)	(10.8)	(10.8)
2020-21	(Insignificant)	(Insignificant)	(1.3)	(1.3)	(11.2)	(11.2)
2021-22	(Insignificant)	(Insignificant)	(1.3)	(1.3)	(11.5)	(11.5)

Summary Table

	A	B	C	D	E	F	G
1							
2	Group 1: Additional Exemption for Prior Impact						
3		High		Middle		Low	
4		Cash	Recurring	Cash	Recurring	Cash	Recurring
5	2017-18	\$ (8.2 M)	\$ (9.0 M)	\$ (4.1 M)	\$ (4.5 M)	\$ (2.0 M)	\$ (2.2 M)
6	2018-19	\$ (9.2 M)	\$ (9.2 M)	\$ (4.6 M)	\$ (4.6 M)	\$ (2.3 M)	\$ (2.3 M)
7	2019-20	\$ (9.5 M)	\$ (9.5 M)	\$ (4.8 M)	\$ (4.8 M)	\$ (2.4 M)	\$ (2.4 M)
8	2020-21	\$ (9.8 M)	\$ (9.8 M)	\$ (4.9 M)	\$ (4.9 M)	\$ (2.4 M)	\$ (2.4 M)
9	2021-22	\$ (10.1 M)	\$ (10.1 M)	\$ (5.0 M)	\$ (5.0 M)	\$ (2.5 M)	\$ (2.5 M)
10							
11	Group 2:						
12	Portion of the Old Cohort after the 60K cap portion is removed						
13		High		Middle		Low	
14		Cash	Recurring	Cash	Recurring	Cash	Recurring
15	2017-18	\$ (10.0 M)	\$ (10.9 M)	\$ (8.0 M)	\$ (8.7 M)	\$ (4.0 M)	\$ (4.4 M)
16	2018-19	\$ (11.3 M)	\$ (11.3 M)	\$ (9.0 M)	\$ (9.0 M)	\$ (4.5 M)	\$ (4.5 M)
17	2019-20	\$ (11.6 M)	\$ (11.6 M)	\$ (9.3 M)	\$ (9.3 M)	\$ (4.6 M)	\$ (4.6 M)
18	2020-21	\$ (12.0 M)	\$ (12.0 M)	\$ (9.6 M)	\$ (9.6 M)	\$ (4.8 M)	\$ (4.8 M)
19	2021-22	\$ (12.3 M)	\$ (12.3 M)	\$ (9.8 M)	\$ (9.8 M)	\$ (4.9 M)	\$ (4.9 M)
20							
21	Group 3:						
22	New Cohort which falls below the 60K cap and be above 36K cap						
23		High		Middle		Low	
24		Cash	Recurring	Cash	Recurring	Cash	Recurring
25	2017-18	\$ (1.6 M)	\$ (1.7 M)	\$ (1.2 M)	\$ (1.4 M)	\$ (.7 M)	\$ (.7 M)
26	2018-19	\$ (1.8 M)	\$ (1.8 M)	\$ (1.4 M)	\$ (1.4 M)	\$ (.8 M)	\$ (.8 M)
27	2019-20	\$ (1.8 M)	\$ (1.8 M)	\$ (1.4 M)	\$ (1.4 M)	\$ (.8 M)	\$ (.8 M)
28	2020-21	\$ (1.9 M)	\$ (1.9 M)	\$ (1.5 M)	\$ (1.5 M)	\$ (.8 M)	\$ (.8 M)
29	2021-22	\$ (1.9 M)	\$ (1.9 M)	\$ (1.5 M)	\$ (1.5 M)	\$ (.8 M)	\$ (.8 M)
30							
31							
32	Total						
33		High		Middle		Low	
34		Cash	Recurring	Cash	Recurring	Cash	Recurring
35	2017-18	\$ (19.8 M)	\$ (21.6 M)	\$ (9.3 M)	\$ (10.2 M)	\$ (6.7 M)	\$ (7.4 M)
36	2018-19	\$ (22.2 M)	\$ (22.2 M)	\$ (10.5 M)	\$ (10.5 M)	\$ (7.6 M)	\$ (7.6 M)
37	2019-20	\$ (22.9 M)	\$ (22.9 M)	\$ (10.8 M)	\$ (10.8 M)	\$ (7.8 M)	\$ (7.8 M)
38	2020-21	\$ (23.6 M)	\$ (23.6 M)	\$ (11.2 M)	\$ (11.2 M)	\$ (8.0 M)	\$ (8.0 M)
39	2021-22	\$ (24.3 M)	\$ (24.3 M)	\$ (11.5 M)	\$ (11.5 M)	\$ (8.3 M)	\$ (8.3 M)

Group 1:
Additional Exemption for Prior Impact

	A	B	C	D	E	F	G	H
1	Group 1: Additional Exemption on Previously Adopted Estimate							
2	Total Sales Tax Collections for Identified Businesses*							
3		2012	\$ 51.5					
4		2013	\$ 63.6					
5		2014	\$ 77.0					
6	Current Update	2015	\$ 87.4					
7	*for businesses with greater than \$3.95 million Gross Sales							
8								
9	Step 1: Convert to Calendar to Fiscal Year							
10		2012-13	\$ 57.58					
11		2013-14	\$ 70.33					
12	Current Update	2014-15	\$ 82.20					
13								
14	Other Consumer Durables (CDRO) growth rates							
15		2015-16	4.8%					
16		2016-17	3.8%					
17		2017-18	3.0%					
18		2018-19	3.0%					
19		2019-20	3.0%					
20		2020-21	3.0%					
21		2021-22	3.0%					
22								
23	Step 2: Apply the low percent of sales exempted as previously adopted and Growing at CDRO Rates							
24	Previous Exempt Percentage		5%					
25								
26	Fiscal Year	Previously Adopted Low - 5%						
27	2014-15		\$ (4.1 M)					
28	2015-16		\$ (4.1 M)					
29	2016-17		\$ (4.3 M)					
30	2017-18		\$ (4.5 M)					
31	2018-19		\$ (4.6 M)					
32	2019-20		\$ (4.7 M)					
33	2020-21		\$ (4.9 M)					
34	2021-22		\$ (5.0 M)					
35								
36	Step 3: Number of repairs necessary to generate the previously Adopted Low							
37	Average Boat Price	High		Middle		Low		
38	(Millions)		\$1.2		\$1.4		\$1.8	
39	2014-15		342		171		86	
40	2015-16		342		171		86	
41	2016-17		359		179		90	
42	2017-18		373		186		93	
43	2018-19		384		192		96	
44	2019-20		395		198		99	
45	2020-21		407		204		102	
46	2021-22		419		210		105	
47								
48	Step 4: Impact from Exempt Values 1 million to 600 Thousand							
49	Additional Exemption per repair		\$0.024	(\$24000)				
50								
51		High		Middle		Low		
52		Cash	Recurring	Cash	Recurring	Cash	Recurring	
54	2017-18	\$ (8.2 M)	\$ (9.0 M)	\$ (4.1 M)	\$ (4.5 M)	\$ (2.0 M)	\$ (2.2 M)	
55	2018-19	\$ (9.2 M)	\$ (9.2 M)	\$ (4.6 M)	\$ (4.6 M)	\$ (2.3 M)	\$ (2.3 M)	
56	2019-20	\$ (9.5 M)	\$ (9.5 M)	\$ (4.8 M)	\$ (4.8 M)	\$ (2.4 M)	\$ (2.4 M)	
57	2020-21	\$ (9.8 M)	\$ (9.8 M)	\$ (4.9 M)	\$ (4.9 M)	\$ (2.4 M)	\$ (2.4 M)	
58	2021-22	\$ (10.1 M)	\$ (10.1 M)	\$ (5.0 M)	\$ (5.0 M)	\$ (2.5 M)	\$ (2.5 M)	

Group 2

	A	B	C	D	E	F	G
1	Group 2: Businesses with more than \$3.95 million Gross Sales less the prior estimated exempt Value						
2							
3	Total Sales Tax Collections for Identified Industries						
4		2012	\$ 51.5				
5		2013	\$ 63.6				
6		2014	\$ 77.0				
7	Current Update	2015	\$ 87.4				
8							
9	Step 1: Convert Calendar to Fiscal Year						
10		2012-13	\$ 57.58				
11		2013-14	\$ 70.33				
12	Current Update	2014-15	\$ 82.20				
13							
14	Other Consumer Durables (CDRO) Growth Rates						
15		2015-16	4.8%				
16		2016-17	3.8%				
17		2017-18	3.0%				
18		2018-19	3.0%				
19		2019-20	3.0%				
20		2020-21	3.0%				
21		2021-22	3.0%				
22							
23	Previous Exempt Percentage	5%					
24	Step 2: (B23 X C12)	\$ 4.11					
25							
26	Step 3: Total Sales Tax Collections less Prior exempt amount (C12-B24)	\$ 78.09					
27							
28	Step 4: Create High/Middle/Low values using Total Sales Tax Collections Less Prior estimated exemption (B26)						
29	ex: (B26*B29*-1)	12.50%		10%		5%	
30	2014-15	\$ (9.76)		\$ (7.81)		\$ (3.90)	
31							
32	Step 5: Grow Step 4 values at Other Consumer Durables Growth Rates						
33		High - 12.5%		Middle - 10%		Low - 5%	
34		Cash	Recurring	Cash	Recurring	Cash	Recurring
36	2017-18	\$ (10.0 M)	\$ (10.9 M)	\$ (8.0 M)	\$ (8.7 M)	\$ (4.0 M)	\$ (4.4 M)
37	2018-19	\$ (11.3 M)	\$ (11.3 M)	\$ (9.0 M)	\$ (9.0 M)	\$ (4.5 M)	\$ (4.5 M)
38	2019-20	\$ (11.6 M)	\$ (11.6 M)	\$ (9.3 M)	\$ (9.3 M)	\$ (4.6 M)	\$ (4.6 M)
39	2020-21	\$ (12.0 M)	\$ (12.0 M)	\$ (9.6 M)	\$ (9.6 M)	\$ (4.8 M)	\$ (4.8 M)
40	2021-22	\$ (12.3 M)	\$ (12.3 M)	\$ (9.8 M)	\$ (9.8 M)	\$ (4.9 M)	\$ (4.9 M)

	A	B	C	D	E	F	G
1	Group 3: Tax Collections from businesses with Gross Sales below \$3.95 Million and above \$600 Thousand						
2							
3	Step 1: Find the Sales Tax Collections of businesses that are above \$3.95 million in Gross Sales						
4		Greater than \$3.95 M		Less than \$3.95 M		Total	
5		No. of Businesses	Sales Tax Collected	No. of Businesses	Sales Tax Collected	No. of Businesses	Sales Tax Collected
6	2014	216	\$ 77.03	2441	\$ 38.05	2657	\$ 115.08
7	2015	239	\$ 87.37	2397	\$ 39.59	2636	\$ 126.96
8							
9	Step 2: Taxes Collected for businesses with Gross Sales between \$3.95 million and a lower bound						
10		High		Middle		Low	
11		Less Than 3.95 but Greater Than .6		Less Than 3.95 but Greater Than 1.185		Less Than 3.95 but Greater Than 2.37	
12	2014	\$ 29.70		\$ 23.50		\$ 12.73	
13	2015	\$ 31.22		\$ 24.98		\$ 14.03	
14							
15	Step 3: Convert Sales Tax Collections to Fiscal Year						
16		FY 2014-15	\$ 30.46		\$ 24.24		\$ 13.38
17							
18	Other Consumer Durables (CDRO) growth rates						
19		2015-16	4.8%				
20		2016-17	3.8%				
21		2017-18	3.0%				
22		2018-19	3.0%				
23		2019-20	3.0%				
24		2020-21	3.0%				
25		2021-22	3.0%				
26							
27	Step 4: Apply Previously Adopted Percentage to Fiscal Year Tax Collections and Grow at CDRO Rates						
28	Previously Adopted Percentage of Tax Collections Generated by Exempt Dollars					5%	
29							
30		High		Middle		Low	
31		Cash	Recurring	Cash	Recurring	Cash	Recurring
33	2017-18	\$ (1.6 M)	\$ (1.7 M)	\$ (1.2 M)	\$ (1.4 M)	\$ (.7 M)	\$ (.7 M)
34	2018-19	\$ (1.8 M)	\$ (1.8 M)	\$ (1.4 M)	\$ (1.4 M)	\$ (.8 M)	\$ (.8 M)
35	2019-20	\$ (1.8 M)	\$ (1.8 M)	\$ (1.4 M)	\$ (1.4 M)	\$ (.8 M)	\$ (.8 M)
36	2020-21	\$ (1.9 M)	\$ (1.9 M)	\$ (1.5 M)	\$ (1.5 M)	\$ (.8 M)	\$ (.8 M)
37	2021-22	\$ (1.9 M)	\$ (1.9 M)	\$ (1.5 M)	\$ (1.5 M)	\$ (.8 M)	\$ (.8 M)

Group 3 Summary

	A	B	C	D	E
1	Group 3 Summary: Tax Collections from businesses with gross sales below \$3.95 Million and above various thresholds				
2		Number of Businesses By Bracket			
3			Over 3.95	Under 3.95 and Over 2.37	Under 2.37
4		2014	216	108	2333
5		2015	239	117	2280
6					
7			Over 3.95	Under 3.95 and Over 1.185	Under 1.185
8		2014	216	272	2169
9		2015	239	274	2123
10					
11			Over 3.95	Under 3.95 and Over .6	Under .6
12		2014	216	447	1994
13		2015	239	449	1948
14					
15					
16		Total Firms			
17		2014	2657		
18		2015	2636		
19					
20		Percent of Total Firms			
21			Over 3.95	Under 3.95 and Over 2.37	Under 2.37
22		2014	8.13%	4.06%	87.81%
23		2015	9.07%	4.44%	86.49%
24					
25			Over 3.95	Under 3.95 and Over 1.185	Under 1.185
26		2014	8.13%	10.24%	81.63%
27		2015	9.07%	10.39%	80.54%
28					
29			Over 3.95	Under 3.95 and Over .6	Under .6
30		2014	8.13%	16.82%	75.05%
31		2015	9.07%	17.03%	73.90%