

## REVENUE ESTIMATING CONFERENCE

**Revenue Source:** Sales and Use Tax

**Issue:** Building Materials used in Affordable Housing Units Sales Tax Refund

**Bill Number(s):** CS SB 102, Section 12

☐ **Entire Bill**

☒ **Partial Bill:** Section 12

**Sponsor(s):** Sen Calatayud

**Month/Year Impact Begins:** July 1<sup>st</sup>, 2023

**Date(s) Conference Reviewed:** March 3<sup>rd</sup>, 2023

### Section 1: Narrative

- a. Current Law:** Materials used in the construction of affordable housing units are taxed at 6%.
- b. Proposed Change:** The language in this bill allows for the owner of an affordable housing development to receive a refund of sales tax paid on building materials used in construction of the development, providing the construction materials were purchased on or after July 1<sup>st</sup>, 2023, and the owner follows the process described. The language excludes renovation, restoration, rehabilitation, alteration, modification, and expansion from eligibility. The refund is capped at the lesser of \$5,000 or 97.5% of sales tax paid and must be at least \$500.

### Section 2: Description of Data and Sources

The FHFC provided data on affordable housing construction in calendar years 2018-2022. The figures they provided were grown at the Core CPI rate adopted in the 2022 Long Run National Economic Estimating Conference and the New Construction Growth Rate from the 2022 Long Run Ad Valorem Conference.

### Section 3: Methodology (Include Assumptions and Attach Details)

To arrive at this impact, we first recognize that the cap imposed by language of \$5,000 (which translates to \$83,333 in sales) is well below the amount paid in sales tax for materials used in construction of a single unit. Therefore, every unit constructed is going to hit this cap. We can therefore estimate the number of units constructed in a given fiscal year (using the new construction growth rate from the ad valorem conference) and multiply that number by \$5,000 to reach the high estimate. This gives us our high estimate. The language only allows a 6-month window to apply for a refund, therefore we build the middle and low by assuming adoption rates of less than 100%. We chose 90% for the middle and 75% for the low as we feel the incentive to apply is high enough to persuade most people.

The previous version required the construction to occur after July 1<sup>st</sup>. The CS applies this exemption to sales of materials that occur after the effective date. This change has no material effect on any of the proposed impacts below.

### Section 4: Proposed Fiscal Impact

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2023-24	\$ (36.43)	\$ (39.74)	\$ (32.79)	\$ (35.77)	\$ (27.32)	\$ (29.81)
2024-25	\$ (40.52)	\$ (40.52)	\$ (36.47)	\$ (36.47)	\$ (30.39)	\$ (30.39)
2025-26	\$ (41.97)	\$ (41.97)	\$ (37.77)	\$ (37.77)	\$ (31.48)	\$ (31.48)
2026-27	\$ (42.65)	\$ (42.65)	\$ (38.38)	\$ (38.38)	\$ (31.98)	\$ (31.98)
2027-28	\$ (42.71)	\$ (42.71)	\$ (38.44)	\$ (38.44)	\$ (32.03)	\$ (32.03)

**Revenue Distribution:** Sales and Use Tax

### Section 5: Consensus Estimate (Adopted: 03/03/2023): The Conference adopted the high estimate.

	GR		Trust		Revenue Sharing		Local Half Cent	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2023-24	(32.2)	(35.1)	(Insignificant)	(Insignificant)	(1.1)	(1.2)	(3.1)	(3.4)
2024-25	(35.9)	(35.9)	(Insignificant)	(Insignificant)	(1.2)	(1.2)	(3.4)	(3.4)
2025-26	(37.2)	(37.2)	(Insignificant)	(Insignificant)	(1.2)	(1.2)	(3.6)	(3.6)
2026-27	(37.8)	(37.8)	(Insignificant)	(Insignificant)	(1.3)	(1.3)	(3.6)	(3.6)
2027-28	(37.8)	(37.8)	(Insignificant)	(Insignificant)	(1.3)	(1.3)	(3.6)	(3.6)

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	6% Sub-Total		Add: Local Option		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2023-24	(36.4)	(39.7)	(4.4)	(4.8)	(40.8)	(44.5)
2024-25	(40.5)	(40.5)	(4.9)	(4.9)	(45.4)	(45.4)
2025-26	(42.0)	(42.0)	(5.1)	(5.1)	(47.1)	(47.1)
2026-27	(42.6)	(42.6)	(5.2)	(5.2)	(47.8)	(47.8)
2027-28	(42.7)	(42.7)	(5.2)	(5.2)	(47.9)	(47.9)

	A	B	C	D	E	F	G	H
1	<b>Inputs From FHFC</b>					Received from Bill Aldinger, Managing Director of Policy and Special Programs at the Florida Housing Finance Corporation, on Feb 1, 2023. Numbers given in calendar year. Based on credit underwriting reports required to be approved prior to permanent financing.		
2	Calendar Year	New Construction Units	Total Material Cost	Cost Per Unit				
3	2019	6,315	\$ 721,835,631	\$ 114,305				
4	2020	9,272	\$ 1,165,202,465	\$ 125,669				
5	2021	7,053	\$ 961,565,589	\$ 136,334				
6	2022	9,495	\$ 1,477,942,598	\$ 155,655				
7	Average	8,034	\$ 1,081,636,571	\$ 132,991				
8								
9	<b>Requirements in Language</b>					Refund is the lesser of \$5000 or 97.5% of the sales tax due. Assumed that \$5000 will always be lesser.		
10	Refund Floor	\$ 500.00	Refund Cap	\$ 5,000.00				
11	Material Cost Floor	\$ 8,333.33	Material Cost Cap	\$ 83,333.33				
12								
13	<b>August 2022 New Construction Growth</b>		<b>Average New Construction Units</b>			Series:	Average	
14	<i>adval_results.pdf page 12</i>		Grown at Given Growth Rates					
15	2023	-1.06%	2023	7,949		The new construction growth rate from the Ad Valorem Conference is used under the reasoning that the proportion of new construction that is Affordable Housing is largely constant over time.		
16	2024	1.96%	2024	8,104				
17	2025	3.57%	2025	8,394				
18	2026	1.61%	2026	8,529				
19	2027	0.14%	2027	8,541				
20	2028	0.51%	2028	8,585				
21								
22	<b>July 2022 NEEC Core CPI Growth</b>		<b>2022 Cost Per Unit</b>			Series:	2022	
23	<i>FY upcpicor</i>		Grown at Given Growth Rates					
24	2023	4.77%	2023	\$ 163,080		Average Material Cost per unit is expected to stay above the imposed cap, therefore this series ends its involvement in the impact. It is left here to serve as a starting point should anyone wish to evaluate changing or removing the cap.		
25	2024	2.66%	2024	\$ 167,417				
26	2025	2.30%	2025	\$ 171,268				
27	2026	2.29%	2026	\$ 175,190				
28	2027	2.25%	2027	\$ 179,132				
29	2028	2.23%	2028	\$ 183,127				
30								
31	<b>Capped Total Cost of Materials</b>		<b>Impact</b>			6% sales tax rate applied to the capped total cost of materials. An alternative way to reach these figures is multiply number of units by the \$5,000 refund cap.  This impact assumes universal adoption and is set as the High. The Middle and Low estimates are determined by adoption rates.		
32	Cap * 2022 New Construction Units		6% of Total Material Cost					
33	2023	\$ 662,404,238	2023	\$ 39,744,254				
34	2024	\$ 675,354,413	2024	\$ 40,521,265				
35	2025	\$ 699,485,556	2025	\$ 41,969,133				
36	2026	\$ 710,775,814	2026	\$ 42,646,549				
37	2027	\$ 711,773,908	2027	\$ 42,706,434				
38	2028	\$ 715,390,922	2028	\$ 42,923,455				
39								
40				Adoption Rate			Adoption Rate	
41	High		Middle	90%		Low	75%	
42	Cash	Recurring	Cash	Recurring		Cash	Recurring	
43	\$ (36.43)	\$ (39.74)	\$ (32.79)	\$ (35.77)		\$ (27.32)	\$ (29.81)	
44	\$ (40.52)	\$ (40.52)	\$ (36.47)	\$ (36.47)		\$ (30.39)	\$ (30.39)	
45	\$ (41.97)	\$ (41.97)	\$ (37.77)	\$ (37.77)		\$ (31.48)	\$ (31.48)	
46	\$ (42.65)	\$ (42.65)	\$ (38.38)	\$ (38.38)		\$ (31.98)	\$ (31.98)	
47	\$ (42.71)	\$ (42.71)	\$ (38.44)	\$ (38.44)		\$ (32.03)	\$ (32.03)	