

Executive Summary

The table below shows the forecasts of Gross Receipts Tax collections and Communications Services Tax collections. These amounts reflect the November 1, 2005 estimating conference results.

	Gross Receipts Tax All Sources	Gross Receipts Tax on Electricity	Gross Receipts Tax on Gas	Communications Services Tax- Gross Receipts Component	Communications Services Tax- State Tax Component
FY 2005-06	945.51	505.45	32.50	407.57	958.59
FY 2006-07	970.72	555.32	30.30	385.09	928.40
FY 2007-08	979.22	564.53	26.73	387.96	959.17
FY 2008-09	1018.45	597.50	25.44	395.51	998.49
FY 2009-10	1020.28	592.43	24.56	403.29	1038.43
FY 2010-11	1036.07	599.83	24.74	411.50	1076.86
FY 2011-12	1060.30	615.07	25.66	419.57	1099.48
FY 2012-13	1087.07	633.52	25.88	427.68	1125.86
FY 2013-14	1116.56	654.17	28.82	435.57	1152.88
FY 2014-15	1146.79	675.43	27.63	443.73	1180.55

Gross Receipts Tax on Electricity- The Conference discussed the recent tax collection pattern since the last estimate was adopted in the March 2005 meeting. Collections for FY 2004-05 were \$9.4 million below estimate. Most of this error was due to a revenue forecast that was premature in recognizing higher costs for fuels to generate electricity that would be passed on to customers. Also, hurricane cost recovery surcharges were not implemented as quickly as had been expected last March.

In the new forecast, recent disruptions in oil and natural gas markets resulting from Hurricanes Katrina and Rita are resulting in much higher fuel costs to Florida's electric utilities. The fuel adjustment component of electric rates were insufficient to cover the actual fuel costs during 2005. These costs will be recovered in 2006. Furthermore, higher fuel costs through 2006 are anticipated. The revised forecast for FY 2005-06 reflects an increase of \$16 million in tax collections, on the basis of higher fuel cost adjustments in electric rates beginning in January 2006. A 9.9% increase in tax collections is projected for FY 2006-07, as the fuel adjustment charges are fully felt in tax collections. Reductions in demand due to higher prices were also taken into account in this forecast.

Gross Receipts Tax on Gas Fuels- Tax collections on gas fuels were over estimate for FY2004-05 by \$2.7 million. For FY 2005-06, the new forecast is an increase of \$9.9 million over the old estimate, and is 40% higher than the prior year. The influence of market prices is much stronger in this tax source than in electricity, but the increase in the forecast is being driven by the same factors. After the current fiscal year, collections are expected to decline as gas prices moderate.

Communications Services Tax- Tax collections on the Communications Services Tax (CST) have also been higher than expected. Much of the strength is coming from strong demand for cellular phone services. In addition, the expected negative impact from the passage of the federal Internet Tax Nondiscrimination Act (ITNA), has not materialized as quickly as anticipated at the March 2005 estimating conference. For FY 2004-

05, the Gross Receipts Tax component of the CST was over estimate by \$16.1 million (+4.1%) while the State tax component was over by \$7.1 million (+0.8%). For FY 2005-06, the Gross Receipts Tax component was increased by \$36.2 million, partly due to delaying the effect of ITNA from July 2005 to January 2006 as well as strong demand for cellular phone services in the near term. With respect to the State Tax portion of the CST, an increase in the forecast of \$45.4 million for next year is nearly all due to the delay in the impact of ITNA.

Background on the Internet Tax Nondiscrimination Act- "Internet access" as amended by the ITNA now includes telecommunications services "purchased, used, or sold by a provider of Internet access to provide Internet access". Additionally, the Internet Tax Freedom Act allows communications companies to exclude from taxation charges for Internet access bundled for a single price with taxable services. Under Florida's Communications Services Tax, when charges for Internet access are not separately stated on a customer's bill, the entire charge is taxed, regardless of whether the charge includes Internet access or telecommunications used to provide Internet access. The Conference expects that competitive pressures will result in changes in how telecommunications providers bill for services, in order to reduce their Communications Services Tax liability. The estimates of the impact of the Federal legislation are based upon the best information currently available to the conference, but it should be noted that as of this date, tax collections have not been materially affected by this law change, and the ITNA estimates may be subject to substantial revision when the actual effect of the law change becomes evident in the Communications Services Tax collections. Additionally, it should also be noted that although the ITNA itself is scheduled to expire in 2007, the policy of exempting internet access from taxation is presumed to continue throughout the forecast horizon.

Gross Receipts Tax
Forecast Comparison
November 1, 2005

Total Collections

YEAR	Old Forecast		New Forecast		Diff.
	\$ Mil	%chg	\$ Mil	%chg	
FY87-88	217.85	6.6%			
FY88-89	227.62	4.5%			
FY89-90	290.02	27.4%			
FY90-91	333.57	15.0%			
FY91-92	391.38	17.3%			
FY92-93	447.83	14.4%			
FY93-94	459.38	2.6%			
FY94-95	506.84	10.3%			
FY95-96	543.13	7.2%			
FY96-97	572.11	5.3%			
FY97-98	593.39	3.7%			
FY98-99	639.27	7.7%			
FY99-00	669.18	4.7%			
FY00-01	722.91	8.0%			
FY01-02	779.49	7.8%			
FY02-03	786.03	0.8%			
FY03-04	826.59	5.2%			
FY04-05	872.72	5.6%	882.15	6.7%	9.43
FY05-06	883.36	1.2%	945.51	7.2%	62.15
FY06-07	901.29	2.0%	970.72	2.7%	69.43
FY07-08	916.28	1.7%	979.22	0.9%	62.94
FY08-09	934.88	2.0%	1018.45	4.0%	83.57
FY09-10	957.89	2.5%	1020.28	0.2%	62.39
FY10-11	988.00	3.1%	1036.07	1.5%	48.07
FY11-12	1016.00	2.8%	1060.30	2.3%	44.30
FY12-13	1037.28	2.1%	1087.07	2.5%	49.80
FY13-14	1069.76	3.1%	1116.56	2.7%	46.80
FY14-15	#N/A	#N/A	1146.79	2.7%	#N/A

Gross Receipts Tax
Forecast Comparison
November 1, 2005

Collections on Electricity

YEAR	Old Forecast		New Forecast		Diff.
	\$ Mil	%chg	\$ Mil	%chg	
FY87-88	130.56	5.1%			
FY88-89	136.57	4.6%			
FY89-90	169.14	23.8%			
FY90-91	190.58	12.7%			
FY91-92	230.52	21.0%			
FY92-93	258.67	12.2%			
FY93-94	259.29	0.2%			
FY94-95	274.09	5.7%			
FY95-96	296.01	8.0%			
FY96-97	294.31	-0.6%			
FY97-98	308.67	4.9%			
FY98-99	324.50	5.1%			
FY99-00	309.42	-4.6%			
FY00-01	353.54	14.3%			
FY01-02	374.08	5.8%			
FY02-03	388.60	3.9%			
FY03-04	425.00	9.4%			
FY04-05	462.66	8.9%	453.25	6.6%	-9.40
FY05-06	489.46	5.8%	505.45	11.5%	15.99
FY06-07	504.10	3.0%	555.32	9.9%	51.22
FY07-08	518.05	2.8%	564.53	1.7%	46.48
FY08-09	530.24	2.4%	597.50	5.8%	67.26
FY09-10	546.02	3.0%	592.43	-0.8%	46.40
FY10-11	568.24	4.1%	599.83	1.2%	31.59
FY11-12	587.98	3.5%	615.07	2.5%	27.09
FY12-13	601.41	2.3%	633.52	3.0%	32.12
FY13-14	625.29	4.0%	654.17	3.3%	28.87
FY14-15	#N/A	#N/A	675.43	3.3%	#N/A

Gross Receipts Tax
Forecast Comparison
November 1, 2005

Collections on Gas Fuels

YEAR	Old Forecast		New Forecast		Diff.
	\$ Mil	%chg	\$ Mil	%chg	
FY87-88	6.51	15.8%			
FY88-89	5.69	-12.6%			
FY89-90	10.38	82.4%			
FY90-91	12.31	18.6%			
FY91-92	11.97	-2.8%			
FY92-93	12.74	6.4%			
FY93-94	10.92	-14.3%			
FY94-95	11.03	1.0%			
FY95-96	13.68	24.0%			
FY96-97	11.97	-12.5%			
FY97-98	12.41	3.7%			
FY98-99	10.17	-18.0%			
FY99-00	10.71	5.3%			
FY00-01	16.65	55.5%			
FY01-02	13.74	-17.5%			
FY02-03	14.39	4.7%			
FY03-04	18.52	28.7%			
FY04-05	20.48	10.6%	23.21	25.3%	2.73
FY05-06	22.58	10.2%	32.50	40.0%	9.92
FY06-07	24.05	6.5%	30.30	-6.7%	6.26
FY07-08	23.12	-3.8%	26.73	-11.8%	3.61
FY08-09	22.39	-3.1%	25.44	-4.8%	3.04
FY09-10	22.34	-0.2%	24.56	-3.5%	2.22
FY10-11	22.84	2.2%	24.74	0.7%	1.90
FY11-12	23.55	3.1%	25.66	3.7%	2.11
FY12-13	23.72	0.7%	25.88	0.9%	2.15
FY13-14	24.48	3.2%	26.82	3.7%	2.34
FY14-15	#N/A	#N/A	27.63	3.0%	#N/A

Gross Receipts Tax
Forecast Comparison
November 1, 2005

Transfer from Communications Services Tax

YEAR	Old Forecast		New Forecast		Diff.
	\$ Mil	%chg	\$ Mil	%chg	
FY87-88	80.78	8.4%			
FY88-89	85.35	5.7%			
FY89-90	110.50	29.5%			
FY90-91	130.68	18.3%			
FY91-92	148.89	13.9%			
FY92-93	176.41	18.5%			
FY93-94	189.17	7.2%			
FY94-95	221.72	17.2%			
FY95-96	233.44	5.3%			
FY96-97	265.83	13.9%			
FY97-98	272.31	2.4%			
FY98-99	304.60	11.9%			
FY99-00	349.05	14.6%			
FY00-01	352.72	1.1%			
FY01-02	391.67	11.0%			
FY02-03	383.04	-2.2%			
FY03-04	383.07	0.0%			
FY04-05	389.58	1.7%	405.69	5.9%	16.11
FY05-06	371.33	-4.7%	407.57	0.5%	36.24
FY06-07	373.13	0.5%	385.09	-5.5%	11.96
FY07-08	375.10	0.5%	387.96	0.7%	12.86
FY08-09	382.24	1.9%	395.51	1.9%	13.27
FY09-10	389.52	1.9%	403.29	2.0%	13.77
FY10-11	396.92	1.9%	411.50	2.0%	14.58
FY11-12	404.47	1.9%	419.57	2.0%	15.10
FY12-13	412.15	1.9%	427.68	1.9%	15.53
FY13-14	419.98	1.9%	435.57	1.8%	15.59
FY14-15	#N/A	#N/A	443.73	1.9%	#N/A

ADDENDUM

Impact of Internet Tax Nondiscrimination Act
Forecast Comparison
November 1, 2005

Reduction of Communications Services Tax

CST- Gross Receipts Tax

YEAR	Old	New	
-----	\$ Mil	\$ Mil	Diff.
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FY04-05	0.00	0.00	0.00
FY05-06	-24.00	-7.90	16.10
FY06-07	-30.10	-39.10	-9.00
FY07-08	-36.20	-45.10	-8.90
FY08-09	-37.29	-46.60	-9.31
FY09-10	-38.40	-47.70	-9.30
FY10-11	-39.56	-48.60	-9.04
FY11-12	-40.74	-49.60	-8.86
FY12-13	-41.97	-50.50	-8.53
FY13-14	-43.22	-51.50	-8.28
FY14-15	#N/A	-52.50	#N/A

Gross Receipts Tax
Forecast Comparison
November 1, 2005

Transfer from Communications Services Tax

YEAR	Old Forecast		New Forecast		Diff.
	\$ Mil	%chg	\$ Mil	%chg	
FY87-88	80.78	8.4%			
FY88-89	85.35	5.7%			
FY89-90	110.50	29.5%			
FY90-91	130.68	18.3%			
FY91-92	148.89	13.9%			
FY92-93	176.41	18.5%			
FY93-94	189.17	7.2%			
FY94-95	221.72	17.2%			
FY95-96	233.44	5.3%			
FY96-97	265.83	13.9%			
FY97-98	272.31	2.4%			
FY98-99	304.60	11.9%			
FY99-00	349.05	14.6%			
FY00-01	352.72	1.1%			
FY01-02	391.67	11.0%			
FY02-03	383.04	-2.2%			
FY03-04	383.07	0.0%			
FY04-05	389.58	1.7%	405.69	5.9%	16.11
FY05-06	371.33	-4.7%	407.57	0.5%	36.24
FY06-07	373.13	0.5%	385.09	-5.5%	11.96
FY07-08	375.10	0.5%	387.96	0.7%	12.86
FY08-09	382.24	1.9%	395.51	1.9%	13.27
FY09-10	389.52	1.9%	403.29	2.0%	13.77
FY10-11	396.92	1.9%	411.50	2.0%	14.58
FY11-12	404.47	1.9%	419.57	2.0%	15.10
FY12-13	412.15	1.9%	427.68	1.9%	15.53
FY13-14	419.98	1.9%	435.57	1.8%	15.59
FY14-15	#N/A	#N/A	443.73	1.9%	#N/A

State Tax
Forecast Comparison
November 1, 2005

Transfer from Communications Services Tax

YEAR	Old Forecast		New Forecast		Diff.
	\$ Mil	%chg	\$ Mil	%chg	
FY87-88					
FY88-89					
FY89-90					
FY90-91					
FY91-92					
FY92-93					
FY93-94					
FY94-95					
FY95-96					
FY96-97					
FY97-98					
FY98-99					
FY99-00					
FY00-01					
FY01-02	526.50	#N/A			
FY02-03	817.10	55.2%			
FY03-04	863.50	5.7%			
FY04-05	937.00	8.5%	944.10	9.3%	7.10
FY05-06	913.20	-2.5%	958.59	1.5%	45.39
FY06-07	928.90	1.7%	928.40	-3.1%	-0.50
FY07-08	967.50	4.2%	959.17	3.3%	-8.33
FY08-09	1019.30	5.4%	998.49	4.1%	-20.81
FY09-10	1067.90	4.8%	1038.43	4.0%	-29.47
FY10-11	1104.40	3.4%	1076.86	3.7%	-27.54
FY11-12	1144.80	3.7%	1099.48	2.1%	-45.32
FY12-13	1191.90	4.1%	1125.86	2.4%	-66.04
FY13-14	1243.10	4.3%	1152.88	2.4%	-90.22
FY14-15	1293.80	4.1%	1180.55	2.4%	-113.25

ADDENDUM

Impact of Internet Tax Nondiscrimination Act
Forecast Comparison
November 1, 2005

Reduction of Communications Services Tax

YEAR	<u>CST- Gross Receipts Tax</u>			<u>CST- State Tax</u>		
	Old \$ Mil	New \$ Mil	Diff.	Old \$ Mil	New \$ Mil	Diff.
FY04-05	0.00	0.00	0.00	#N/A	0.00	#N/A
FY05-06	-24.00	-7.90	16.10	-58.50	-17.70	40.80
FY06-07	-30.10	-39.10	-9.00	-77.00	-92.80	-15.80
FY07-08	-36.20	-45.10	-8.90	-94.30	-109.00	-14.70
FY08-09	-37.29	-46.60	-9.31	#N/A	-113.47	#N/A
FY09-10	-38.40	-47.70	-9.30	#N/A	-118.01	#N/A
FY10-11	-39.56	-48.60	-9.04	#N/A	-122.37	#N/A
FY11-12	-40.74	-49.60	-8.86	#N/A	-124.94	#N/A
FY12-13	-41.97	-50.50	-8.53	#N/A	-127.94	#N/A
FY13-14	-43.22	-51.50	-8.28	#N/A	-131.01	#N/A
FY14-15	#N/A	-52.50	#N/A	#N/A	-134.16	#N/A