

REVENUE ESTIMATING CONFERENCE

Tax: Ad Valorem

Issue: Aquaculture Exemptions

Bill Number(s): Proposed Language

☐ **Entire Bill**

☒ **Partial Bill:** Section 1

Sponsor(s):

Month/Year Impact Begins: July 1, 2018

Date of Analysis: February 21, 2018

Section 1: Narrative

a. Current Law: Section 193.461(5), Florida Statutes, reads: (5) For the purpose of this section, the term “agricultural purposes” includes, but is not limited to, horticulture; floriculture; viticulture; forestry; dairy; livestock; poultry; bee; pisciculture, if the land is used principally for the production of tropical fish; aquaculture, including algaculture; sod farming; and all forms of farm products as defined in s. 823.14(3) and farm production.

b. Proposed Change: The proposed change amends subsection 5 of section 193.461, Florida statutes, to read:
“(5) For the purpose of this section, the term “agricultural purposes” includes, but is not limited to, horticulture; floriculture; viticulture; forestry; dairy; livestock; poultry; bee; pisciculture, if the land is used principally for the production of tropical fish; aquaculture, as defined in 597.0015; including algaculture; sod farming; and all forms of farm products as defined in s. 823.14(3) and farm production.”

597.0015 provides the following definition for aquaculture:

“‘Aquaculture’ means the cultivation of aquatic organisms.”

Section 2: Description of Data and Sources

Conversations with representatives and staff of Property Appraisers

Section 3: Methodology (Include Assumptions and Attach Details)

The revised language reflects current administration. As such, there is no impact from this language.

Section 4: Proposed Fiscal Impact

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2018-19			\$0	\$0		
2019-20			\$0	\$0		
2020-21			\$0	\$0		
2021-22			\$0	\$0		
2022-23			\$0	\$0		

List of affected Trust Funds:

Ad valorem Group

Section 5: Consensus Estimate (Adopted: 02/21/2018): The Conference adopted the proposed estimate.

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
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
2020-21	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2021-22	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2022-23	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

REVENUE ESTIMATING CONFERENCE

Tax: Ad Valorem

Issue: Condo Associations

Bill Number(s): Proposed Language, amendment to CS/CS/HB 841

☐ **Entire Bill**

☒ **Partial Bill:**

Sponsor(s): Representative Moraitis

Month/Year Impact Begins: Upon becoming law

Date of Analysis: February 21, 2018

Section 1: Narrative

a. Current Law:

Section 1: Section 194.011, Florida Statutes, governs assessment notices and objections to assessments. Initial objections to assessments may be brought up in an informal conference, via petition to the Value Adjustment Board (VAB), or in circuit court. S. 194.011(3) concerns petitions to the VAB. Paragraph (e) states “[A petition shall also describe the property by parcel number and shall be filed as follows:] (e) A condominium association, cooperative association, or any homeowners’ association as defined in s. 723.075, with approval of its board of administration or directors, may file with the value adjustment board a single joint petition on behalf of any association members who own parcels of property which the property appraiser determines are substantially similar with respect to location, proximity to amenities, number of rooms, living area, and condition. The condominium association, cooperative association, or homeowners’ association as defined in s. 723.075 shall provide the unit owners with notice of its intent to petition the value adjustment board and shall provide at least 20 days for a unit owner to elect, in writing, that his or her unit not be included in the petition.”

Section 2: S. 194.181, F.S., concerns parties to a tax suit. Subsection (2) states: “(2) In any case brought by the taxpayer or association contesting the assessment of any property, the county property appraiser shall be party defendant. In any case brought by the property appraiser pursuant to s. 194.036(1)(a) or (b), the taxpayer shall be party defendant. In any case brought by the property appraiser pursuant to s. 194.036(1)(c), the value adjustment board shall be party defendant.”

Section 3: Chapter 718 governs the powers and limits of Condominium Associations.

b. Proposed Change:

Section 1: S. 194.011(3)(e) is reorganized and amended to read: “(e)

“1. A condominium association as defined in s. 718.103(2), a cooperative association as defined in s. 719.103(2), or any homeowners' association as defined in s. 723.075, with approval of its board of administration or directors, may file with the value adjustment board a single joint petition on behalf of any association members who own units or parcels of property which the property appraiser determines are substantially similar with respect to location, proximity to amenities, number of rooms, living area, and condition. The condominium association, cooperative association, or homeowners' association as defined in s. 723.075 shall provide the unit or parcel owners with notice of its intent to petition the value adjustment board and shall provide at least 20 days for a unit or parcel owner to elect, in writing, that his or her unit or parcel not be included in the petition.

“2. Where an association has filed a single joint petition, the association may continue to represent the unit or parcel owners through any related subsequent proceeding, including judicial review under part II of this chapter and any appeal thereof. This subparagraph is intended to clarify existing law and applies to any pending action.”

Section 2: S. 194.181 is amended to read “(2) In any case brought by the taxpayer, or brought by a condominium or cooperative association on behalf of some or all owners, contesting the assessment of any property, the county property appraiser shall be party defendant. In any case brought by the property appraiser pursuant to s. 194.036(1)(a) or (b), the taxpayer, condominium association, or cooperative association shall be party defendant. In any case brought by the property appraiser pursuant to s. 194.036(1)(c), the value adjustment board shall be party defendant.”

Section 3: Subsection (3)’s title, in s. 718.111, F.S., is amended to remove “, CONFLICT OF INTEREST”. Paragraph (a) is split into multiple paragraphs and amended to read: “(a) The association may contract, sue, or be sued with respect to the exercise or nonexercise of its powers. For these purposes, the powers of the association include, but are not limited to, the maintenance, management, and operation of the condominium property.

“(b) After control of the association is obtained by unit owners other than the developer, the association may:

“1. Institute, maintain, settle, or appeal actions or hearings in its name on behalf of all unit owners concerning matters of common interest to most or all unit owners, including, but not limited to, the common elements; the roof and structural

REVENUE ESTIMATING CONFERENCE

Tax: Ad Valorem

Issue: Condo Associations

Bill Number(s): Proposed Language, amendment to CS/CS/HB 841

components of a building or other improvements; mechanical, electrical, and plumbing elements serving an improvement or a building; representations of the developer pertaining to any existing or proposed commonly used facilities; ~~and~~

~~"2. Protest protesting~~ ad valorem taxes on commonly used facilities and on units; ~~and may~~

~~"3. Defend actions pertaining to ad valorem taxation of commonly used facilities or units, or related to in eminent domain;~~
or

~~"4. Bring inverse condemnation actions.~~

"(c) If the association has the authority to maintain a class action, the association may be joined in an action as representative of that class with reference to litigation and disputes involving the matters for which the association could bring a class action.

"(d) The association, in its own name, or on behalf of some or all unit owners, may institute, file, protest, maintain or defend any administrative challenge, lawsuit, appeal or other challenge to ad valorem taxes assessed on units or that values commonly used facilities or common elements. The affected association members are not necessary or indispensable parties to any such action. This paragraph is intended to clarify existing law and applies to any pending action.

"(e) Nothing herein limits any statutory or common-law right of any individual unit owner or class of unit owners to bring any action without participation by the association which may otherwise be available."

Section 2: Description of Data and Sources

Conversation with Miami-Dade County's Property Appraiser's Office
Millage and Taxes Levied Report, Data Books, 2015-2017

Section 3: Methodology (Include Assumptions and Attach Details)

This bill codifies the power of condominium associations or their tax representatives to continue representing unit or parcel owners if the property appraiser appeals the VAB's decision when a joint petition was filed for the parcels within the association. Currently, if a property appraiser appeals the VAB's decision on a joint petition of condominium parcels, the property appraiser files suit against each condo's owner(s) separately. Owners who do not respond to the suit are defaulted against and the VAB's decision for those parcels is overturned, raising the value of the parcel and increasing the taxes levied. Assuming condo associations will always respond, the estimated impact of this bill can be based on the taxes levied on the value returned to the roll due to the condo owner's lack of response to the property appraiser's suit.

In conversation with Miami-Dade County's property appraiser's office, the total shift in taxes levied (not taxable value) in question in the relevant cases currently being heard by the Florida Third District Court of Appeals is \$13,461,711. That value includes cases from 2014 through 2016 brought by the property appraiser appealing VAB decisions on jointly filed condo petitions. A single year potential shift in taxes levied is \$4.4 million.

The high, middle, and low impacts hinge on the percentage of condo owners who choose not to respond to a suit brought by the property appraiser and will therefore be defaulted against. The high estimate is set at 60%, the middle at 40%, and the low at 20%.

Additionally, the impact has to consider the rate at which the property appraiser would prevail under current law. For purposes of the estimates, it was assumed that the property appraiser would prevail 100% of the time in the low, 50% in the middle and 0% in the high.

The single year impact is then grown by the statewide annual percent increase in taxes levied, averaged from 2015-2017 (6.01%). The language explicitly applies to any pending action, so the impact begins in the 2018-2019 fiscal year. The cash and recurring estimates are identical.

Section 4: Proposed Fiscal Impact

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2018-19	(\$8.1 M)	(\$3.0 M)	(\$2.7 M)	(\$1.0 M)	\$0.0	\$0.0
2019-20	(\$3.2 M)	(\$3.2 M)	(\$1.1 M)	(\$1.1 M)	\$0.0	\$0.0
2020-21	(\$3.4 M)	(\$3.4 M)	(\$1.1 M)	(\$1.1 M)	\$0.0	\$0.0
2021-22	(\$3.6 M)	(\$3.6 M)	(\$1.2 M)	(\$1.2 M)	\$0.0	\$0.0
2022-23	(\$3.8 M)	(\$3.8 M)	(\$1.3 M)	(\$1.3 M)	\$0.0	\$0.0

List of affected Trust Funds: Ad Valorem

REVENUE ESTIMATING CONFERENCE

Tax: Ad Valorem

Issue: Condo Associations

Bill Number(s): Proposed Language, amendment to CS/CS/HB 841

Section 5: Consensus Estimate (Adopted: 02/21/2018): The Conference adopted a 0/negative indeterminate impact.

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2018-19	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/(**)
2020-21	0.0	0.0	0.0	0.0	0/(**)	0/(**)	0/(**)	0/(**)
2021-22	0.0	0.0	0.0	0.0	0/(**)	0/(**)	0/(**)	0/(**)
2022-23	0.0	0.0	0.0	0.0	0/(**)	0/(**)	0/(**)	0/(**)

	A	B	C	D	E	F	G	H																																													
1	Miami-Dade Shift in Tax Dollars involved in Appellate Court Cases																																																				
2																																																					
3	When the PA seperatly files against individual condo owners, those who do not respond are defaulted against.																																																				
4	The cases in front of the appellate court have a potential shift in tax dollars spread over three years.																																																				
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6	<table><tr><th>Years</th><th>Potential Shift</th></tr><tr><td>2014-2016</td><td>\$ 13,461,711</td></tr><tr><td>Single Year</td><td>\$ 4,487,237</td></tr></table>		Years	Potential Shift	2014-2016	\$ 13,461,711	Single Year	\$ 4,487,237																																													
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10	Annual Impact																																																				
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12	If the PA files a single suit against the condo association, the association is assumed to respond and fight against higher valuation.																																																				
13	The impact stems from the percentage of condos where the owners did not respond to the suit and were defaulted against, but whose condo association will now handle the court case.																																																				
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15			<table><tr><th></th><th>HIGH</th><th>MIDDLE</th><th>LOW</th></tr><tr><td>Percent of Condo Owners Non-Responsive to Suits</td><td>60%</td><td>40%</td><td>20%</td></tr><tr><td>Newly Not Defaulted Tax Dollars</td><td>\$ 2,692,342</td><td>\$ 1,794,895</td><td>\$ 897,447</td></tr></table>			HIGH	MIDDLE	LOW	Percent of Condo Owners Non-Responsive to Suits	60%	40%	20%	Newly Not Defaulted Tax Dollars	\$ 2,692,342	\$ 1,794,895	\$ 897,447																																					
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55	Note - first year cash assumes all of the backlog is resolved in the first year following the passage of the law.																																																				

REVENUE ESTIMATING CONFERENCE

Tax: Aviation Fuel Tax

Issue: Tax Rate Reduction

Bill Number(s): HB7087 – Proposed Amendment

☒ **Entire Bill**

☐ **Partial Bill:**

Sponsor(s):

Month/Year Impact Begins: 07/01/2019

Date of Analysis: 02/21/18

Section 1: Narrative

- a. Current Law:** Section 206.9825, F.S. imposes an excise tax of 6.9 cents per gallons upon every gallon of aviation fuel sold in this state or brought into the state for use. Per Section 7 of Ch. 2016-220, L.O.F. the excise tax on aviation fuel is reduced to 4.27 cents per gallon.
- b. Proposed Change:** 206.9825, F.S. is revised to adjust the excise tax on aviation fuel as follows: 2.85 cents per gallon effective 07/01/2019 and going forward.

Section 2: Description of Data and Sources

February 1, 2018 Transportation Revenue Estimating Conference

MFT Returns 2017 – Aviation Gasoline & Jet fuel

Aviation Refund Data 2016-2017

Section 3: Methodology (Include Assumptions and Attach Details)

The current forecast of aviation fuel gallons and excise tax was obtained from the February 1, 2018 Transportation Revenues Estimating Conference. We observed that 98% aviation refunds during 2016-17 were wage related refunds under section 206.9855, Florida Statutes. These refunds are associated with the cohort of aviation fuel users that will be receiving the tax rate reduction, and the dollar amount of refunds will not be affected by the change in tax rate as the amount of refunds are measured externally from the tax rate and tax revenues. We assume that the remaining refunds for other purposes (sales to federal government, exempt uses) would be \$0.5 million each year. Our High estimate assumes 95% fuel gallon consumption by the air-carrier cohort and 5% by the non-air-carrier cohort. The middle assumes 90% and 10%, and the low assumes 85% and 15% respectively. The estimated fuel gallons from the transportation conference are multiplied by the tax rate to get the currently estimated gross revenue from fuel gallons.

In the high, starting in FY 2019-20, the 95%/5% split is applied to the aviation fuel gallons and the new tax rate is applied to the 95% while the old tax rate is applied to the 5%. The “recurring calculation” uses the rate effective July 1, 2019 while the “cash calculation” accounts for the two-month lag. The difference between the current estimated gross revenue and the calculated Recurring and Cash are the impact for the high estimate. This process is repeated for the Middle estimate and the Low estimate at their assumed ratios

Section 4: Proposed Fiscal Impact

Impact - GR

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2018-19	\$-	\$-	\$-	\$-	\$-	\$-
2019-20	\$(0.9 M)	\$(1.1 M)	\$(0.9 M)	\$(1.1 M)	\$(0.9 M)	\$(1.0 M)
2020-21	\$(1.2 M)	\$(1.2 M)	\$(1.1 M)	\$(1.1 M)	\$(1.1 M)	\$(1.1 M)
2021-22	\$(1.2 M)	\$(1.2 M)	\$(1.2 M)	\$(1.2 M)	\$(1.1 M)	\$(1.1 M)
2022-23	\$(1.3 M)	\$(1.3 M)	\$(1.2 M)	\$(1.2 M)	\$(1.1 M)	\$(1.1 M)

Impact – STTF

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2018-19	\$-	\$-	\$-	\$-	\$-	\$-
2019-20	\$(10.8 M)	\$(13.0 M)	\$(10.7 M)	\$(12.3 M)	\$(10.3 M)	\$(11.6 M)
2020-21	\$(13.9 M)	\$(13.9 M)	\$(13.2 M)	\$(13.2 M)	\$(12.5 M)	\$(12.5 M)
2021-22	\$(14.2 M)	\$(14.2 M)	\$(13.5 M)	\$(13.5 M)	\$(12.7 M)	\$(12.7 M)
2022-23	\$(14.4 M)	\$(14.4 M)	\$(13.7 M)	\$(13.7 M)	\$(12.9 M)	\$(12.9 M)

REVENUE ESTIMATING CONFERENCE

Tax: Aviation Fuel Tax

Issue: Tax Rate Reduction

Bill Number(s): HB7087 – Proposed Amendment

List of affected Trust Funds:

State Transportation Trust Fund

DOR Administrative Fund

General Revenue Fund

Section 5: Consensus Estimate (Adopted: 02/21/2018): The Conference adopted the high estimate as proposed with a FY 2018-19 recurring impact of (\$1.1m) to GR and (\$13.0m) to TF.

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2018-19	0.0	(1.1)	0.0	(13.0)	0.0	0.0	0.0	(14.1)
2019-20	(0.9)	(1.1)	(10.8)	(13.0)	0.0	0.0	(11.7)	(14.1)
2020-21	(1.2)	(1.2)	(13.9)	(13.9)	0.0	0.0	(15.1)	(15.1)
2021-22	(1.2)	(1.2)	(14.2)	(14.2)	0.0	0.0	(15.4)	(15.4)
2022-23	(1.3)	(1.3)	(14.4)	(14.4)	0.0	0.0	(15.7)	(15.7)

	A	B	C	D	E	F	G	H	I	J	K	L	M
1			High	Middle	low								
2	% of Total Gallons to Air Carriers		95.0%	90.0%	85.0%								
3	% of Total Gallons to Non-Air Carriers		5.0%	10.0%	15.0%								
4			100.0%	100.0%	100.0%								
5													
6	Current Forecast - RECUR.	2018-19	2019-20	2020-21	2021-22	2022-23		Current Forecast - CASH	2018-19	2019-20	2020-21	2021-22	2022-23
7	Aviation Fuel Gallons	752.8	1,044.60	1,124.70	1,144.40	1,163.90		Aviation Fuel Gallons	752.8	1,044.60	1,124.70	1,144.40	1,163.90
8	Aviation Fuel Tax Rate	6.9	4.27	4.27	4.27	4.27		Aviation Fuel Tax Rate	6.9	4.71	4.27	4.27	4.27
9	Gross Revenue	51.9	44.6	48	48.9	49.7		Gross Revenue	51.9	49.2	48	48.9	49.7
10	Refunds	14.7	18.9	19.3	19.7	20.1		Refunds	14.7	18.9	19.3	19.7	20.1
11	DOR Admin Chrg	0.2	0.2	0.2	0.2	0.2		DOR Admin Chrg	0.2	0.2	0.2	0.2	0.2
12	GR Srv Chrg	3.0	2.0	2.3	2.3	2.4		GR Srv Chrg	3.0	2.4	2.3	2.3	2.4
13	Net to STTF	34.0	23.5	26.2	26.7	27.0		Net to STTF	34.0	27.7	26.2	26.7	27.0
14													
15	High Estimate												
16	Recurring Forecast	2018-19	2019-20	2020-21	2021-22	2022-23		Cash Forecast	2018-19	2019-20	2020-21	2021-22	2022-23
17	Aviation Fuel Tax Rate	6.90	2.85	2.85	2.85	2.85		Aviation Fuel Tax Rate	6.90	3.53	2.85	2.85	2.85
18	Gross Revenue	51.9	30.5	32.9	33.4	34.0		Gross Revenue	51.9	37.4	32.9	33.4	34.0
19	Refunds	14.7	18.9	19.3	19.7	20.1		Refunds	14.7	18.9	19.3	19.7	20.1
20	DOR Admin Chrg	0.2	0.2	0.2	0.2	0.2		DOR Admin Chrg	0.2	0.2	0.2	0.2	0.2
21	GR Srv Chrg	3.0	0.9	1.1	1.1	1.1		GR Srv Chrg	3.0	1.5	1.1	1.1	1.1
22	Net to STTF	34.0	10.5	12.3	12.4	12.6		Net to STTF	34.0	16.9	12.3	12.4	12.6
23													
24	Middle Estimate												
25	Recurring Forecast	2018-19	2019-20	2020-21	2021-22	2022-23		Cash Forecast	2018-19	2019-20	2020-21	2021-22	2022-23
26	Aviation Fuel Tax Rate	6.90	2.85	2.85	2.85	2.85		Aviation Fuel Tax Rate	6.90	3.53	2.85	2.85	2.85
27	Gross Revenue	51.9	31.3	33.7	34.2	34.8		Gross Revenue	51.9	37.6	33.7	34.2	34.8
28	Refunds	14.7	18.9	19.3	19.7	20.1		Refunds	14.7	18.9	19.3	19.7	20.1
29	DOR Admin Chrg	0.2	0.2	0.2	0.2	0.2		DOR Admin Chrg	0.2	0.2	0.2	0.2	0.2
30	GR Srv Chrg	3.0	1.0	1.1	1.1	1.2		GR Srv Chrg	3.0	1.5	1.1	1.1	1.2
31	Net to STTF	34.0	11.2	13.0	13.2	13.4		Net to STTF	34.0	17.0	13.0	13.2	13.4
32													
33	Low Estimate												
34	Recurring Forecast	2018-19	2019-20	2020-21	2021-22	2022-23		Cash Forecast	2018-19	2019-20	2020-21	2021-22	2022-23
35	Aviation Fuel Tax Rate	6.90	2.85	2.85	2.85	2.85		Aviation Fuel Tax Rate	6.90	3.53	2.85	2.85	2.85
36	Gross Revenue	51.9	32.0	34.4	35.1	35.7		Gross Revenue	51.9	38.0	34.4	35.1	35.7
37	Refunds	14.7	18.9	19.3	19.7	20.1		Refunds	14.7	18.9	19.3	19.7	20.1
38	DOR Admin Chrg	0.2	0.2	0.2	0.2	0.2		DOR Admin Chrg	0.2	0.2	0.2	0.2	0.2
39	GR Srv Chrg	3.0	1.0	1.2	1.2	1.2		GR Srv Chrg	3.0	1.5	1.2	1.2	1.2
40	Net to STTF	34.0	11.9	13.8	13.9	14.1		Net to STTF	34.0	17.4	13.8	13.9	14.1

	A	B	C	D	E	F	G	H	I	J	K	L	M
42	Impact - GR												
43		High		Middle		Low		<p>To adjust for the recurring and disentangle the Cash, the current estimate of Aviation Fuel gallons was broken out into a Recurring and Cash form. From there, the Recurring was adjusted so that the tax rate in 2019-20 is 4.27 as opposed to the 4.71 effective tax rate which is used in the Cash estimate.</p> <p>The change results in a decrease in the recurring estimates in 2019-20 for both the GR and STTF impacts. The table below showcases this difference in the High.</p>					
44		Cash	Recurring	Cash	Recurring	Cash	Recurring						
45	2018-19	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -						
46	2019-20	\$ (0.9 M)	\$ (1.1 M)	\$ (0.9 M)	\$ (1.1 M)	\$ (0.9 M)	\$ (1.0 M)						
47	2020-21	\$ (1.2 M)	\$ (1.2 M)	\$ (1.1 M)	\$ (1.1 M)	\$ (1.1 M)	\$ (1.1 M)						
48	2021-22	\$ (1.2 M)	\$ (1.2 M)	\$ (1.2 M)	\$ (1.2 M)	\$ (1.1 M)	\$ (1.1 M)						
49	2022-23	\$ (1.3 M)	\$ (1.3 M)	\$ (1.2 M)	\$ (1.2 M)	\$ (1.1 M)	\$ (1.1 M)						
50													
51	Impact - Net to STTF												
52		High		Middle		Low				Before	After		
53		Cash	Recurring	Cash	Recurring	Cash	Recurring		GR	\$ (1.5 M)	\$ (1.1 M)	2019-20	
54	2018-19	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		STTF	\$ (17.0 M)	\$ (13.0 M)	2019-20	
55	2019-20	\$ (10.8 M)	\$ (13.0 M)	\$ (10.7 M)	\$ (12.3 M)	\$ (10.3 M)	\$ (11.6 M)						
56	2020-21	\$ (13.9 M)	\$ (13.9 M)	\$ (13.2 M)	\$ (13.2 M)	\$ (12.5 M)	\$ (12.5 M)						
57	2021-22	\$ (14.2 M)	\$ (14.2 M)	\$ (13.5 M)	\$ (13.5 M)	\$ (12.7 M)	\$ (12.7 M)						
58	2022-23	\$ (14.4 M)	\$ (14.4 M)	\$ (13.7 M)	\$ (13.7 M)	\$ (12.9 M)	\$ (12.9 M)						

REVENUE ESTIMATING CONFERENCE

Tax: Aviation Fuel Tax

Issue: Tax Rate Reduction

Bill Number(s): Proposed Language

☒ **Entire Bill**

☐ **Partial Bill:**

Sponsor(s):

Month/Year Impact Begins: 07/01/2019

Date of Analysis: 02/21/18

Section 1: Narrative

- a. Current Law:** Section 206.9825, F.S. imposes an excise tax of 6.9 cents per gallons upon every gallon of aviation fuel sold in this state or brought into the state for use. Per Section 7 of Ch. 2016-220, L.O.F. the excise tax on aviation fuel is reduced to 4.27 cents per gallon.
- b. Proposed Change:** Section 206.9815, F.S. is revised to explicitly define air carriers. Section 206.9825, F.S. is revised to adjust the excise tax on aviation fuel as follows: 3.3 cents per gallon effective July 01, 2019, 1.75 cents per gallon effective July 1, 2020, and eliminated effective July 1, 2021.

Section 2: Description of Data and Sources

February 1, 2018 Transportation Revenue Estimating Conference

MFT Returns 2017 – Aviation Gasoline & Jet fuel

Aviation Refund Data 2016-2017

Section 3: Methodology (Include Assumptions and Attach Details)

The current forecast of aviation fuel gallons and excise tax was obtained from the February 1, 2018 Transportation Revenues Estimating Conference. We observed that 98% aviation refunds during 2016-17 were wage related refunds under section 206.9855, Florida Statutes. These refunds are associated with the cohort of aviation fuel users that will be receiving the tax rate reduction, and the dollar amount of refunds will not be affected by the change in tax rate as the amount of refunds are measured externally from the tax rate and tax revenues. We assume that the remaining refunds for other purposes (sales to federal government, exempt uses) would be \$0.5 million each year. We assume that the remaining refunds from other entities would be \$0.5 million each year. Our High estimate assumes 95% fuel gallon consumption by the air-carrier cohort and 5% by the non-air-carrier cohort. The middle assumes 90%, and the low assumes 85%. The estimated fuel gallons from the transportation conference are multiplied by the tax rate to get the current estimated gross revenue from fuel gallons.

In the high, starting in FY 2019-20, the 95%/5% split is applied to the aviation fuel gallons and the new tax rate is applied to the 95% while the 5% is applied the old tax rate. The “recurring calculation” uses the rate effective July 1 while the “cash calculation” accounts for the two-month lag. The difference between the current estimated gross revenue and the calculated Recurring and Cash are the impact for the high estimate. This process is repeated for the Middle estimate and the Low estimate at their assumed ratios.

Section 4: Proposed Fiscal Impact

Impact to GR

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2018-19	\$-	\$-	\$-	\$-	\$-	\$-
2019-20	\$(0.6 M)	\$(0.8 M)	\$(0.6 M)	\$(0.7 M)	\$(0.6 M)	\$(0.7 M)
2020-21	\$(1.9 M)	\$(2.2 M)	\$(1.8 M)	\$(2.0 M)	\$(1.7 M)	\$(1.9 M)
2021-22	\$(1.9 M)	\$(2.2 M)	\$(1.7 M)	\$(2.0 M)	\$(1.6 M)	\$(1.8 M)
2022-23	\$(2.2 M)	\$(2.2 M)	\$(2.0 M)	\$(2.0 M)	\$(1.8 M)	\$(1.8 M)

Impact to STTF

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2018-19	\$-	\$-	\$-	\$-	\$-	\$-
2019-20	\$(7.4 M)	\$(8.9 M)	\$(7.0 M)	\$(8.4 M)	\$(6.6 M)	\$(7.9 M)
2020-21	\$(22.2 M)	\$(24.8 M)	\$(21.1 M)	\$(23.5 M)	\$(19.9 M)	\$(22.2 M)
2021-22	\$(22.1 M)	\$(25.0 M)	\$(20.0 M)	\$(22.8 M)	\$(17.9 M)	\$(20.5 M)
2022-23	\$(25.4 M)	\$(25.4 M)	\$(23.1 M)	\$(23.1 M)	\$(20.8 M)	\$(20.8 M)

REVENUE ESTIMATING CONFERENCE

Tax: Aviation Fuel Tax

Issue: Tax Rate Reduction

Bill Number(s): Proposed Language

List of affected Trust Funds:

State Transportation Trust Fund

DOR Administrative Fund

General Revenue Fund

Section 5: Consensus Estimate (Adopted: 02/21/2016): The Conference adopted the high estimate as proposed with a FY 2018-19 recurring impact of (\$0.8m) to GR and (\$8.9m) to TF.

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2018-19	0.0	(0.8)	0.0	(8.9)	0.0	0.0	0.0	(9.7)
2019-20	(0.6)	(0.8)	(7.4)	(8.9)	0.0	0.0	(8.0)	(9.7)
2020-21	(1.9)	(2.2)	(22.2)	(24.8)	0.0	0.0	(24.1)	(27.0)
2021-22	(1.9)	(2.2)	(22.1)	(25.0)	0.0	0.0	(24.0)	(27.2)
2022-23	(2.2)	(2.2)	(25.4)	(25.4)	0.0	0.0	(27.6)	(27.6)

	A	B	C	D	E	F	G	H	I	J	K	L	M
1			High	Middle	low								
2	% of Total Gallons to Air Carriers		95.0%	90.0%	85.0%								
3	% of Total Gallons to Non-Air Carriers		5.0%	10.0%	15.0%								
4			100.0%	100.0%	100.0%								
5													
6	Current Forecast - RECUR.	2018-19	2019-20	2020-21	2021-22	2022-23		Current Forecast - Cash	2018-19	2019-20	2020-21	2021-22	2022-23
7	Aviation Fuel Gallons	752.8	1,044.60	1,124.70	1,144.40	1,163.90		Aviation Fuel Gallons	752.8	1,044.60	1,124.70	1,144.40	1,163.90
8	Aviation Fuel Tax Rate	6.9	4.27	4.27	4.27	4.27		Aviation Fuel Tax Rate	6.9	4.71	4.27	4.27	4.27
9	Gross Revenue	51.9	44.6	48.0	48.9	49.7		Gross Revenue	51.9	49.2	48.0	48.9	49.7
10	Refunds	14.7	18.9	19.3	19.7	20.1		Refunds	14.7	18.9	19.3	19.7	20.1
11	DOR Admin Chrg	0.2	0.2	0.2	0.2	0.2		DOR Admin Chrg	0.2	0.2	0.2	0.2	0.2
12	GR Srv Chrg	3.0	2.0	2.3	2.3	2.4		GR Srv Chrg	3.0	2.4	2.3	2.3	2.4
13	Net to STTF	34.1	23.5	26.2	26.6	27.0		Net to STTF	34.1	27.7	26.2	26.6	27.0
14													
15	High Estimate												
16	Recurring Forecast	2018-19	2019-20	2020-21	2021-22	2022-23		Cash Forecast	2018-19	2019-20	2020-21	2021-22	2022-23
17	Aviation Fuel Tax Rate	6.90	3.30	1.75	-	-		Aviation Fuel Tax Rate	6.90	3.90	2.01	0.29	-
18	Gross Revenue	51.9	35.0	21.1	2.4	2.5		Gross Revenue	51.9	41.2	23.9	5.6	2.5
19	Refunds	14.7	18.9	19.3	0.5	0.5		Refunds	14.7	18.9	19.3	0.5	0.5
20	DOR Admin Chrg	0.2	0.2	0.2	0.2	0.2		DOR Admin Chrg	0.2	0.2	0.2	0.2	0.2
21	GR Srv Chrg	3.0	1.3	0.1	0.1	0.1		GR Srv Chrg	3.0	1.8	0.3	0.4	0.1
22	Net to STTF	34.1	14.6	1.5	1.6	1.6		Net to STTF	34.1	20.3	4.0	4.5	1.6
23													
24	Middle Estimate												
25	Recurring Forecast	2018-19	2019-20	2020-21	2021-22	2022-23		Cash Forecast	2018-19	2019-20	2020-21	2021-22	2022-23
26	Aviation Fuel Tax Rate	6.90	3.30	1.75	-	-		Aviation Fuel Tax Rate	6.90	3.90	2.01	0.29	-
27	Gross Revenue	51.9	35.5	22.5	4.9	5.0		Gross Revenue	51.9	41.6	25.1	7.9	5.0
28	Refunds	14.7	18.9	19.3	0.5	0.5		Refunds	14.7	18.9	19.3	0.5	0.5
29	DOR Admin Chrg	0.2	0.2	0.2	0.2	0.2		DOR Admin Chrg	0.2	0.2	0.2	0.2	0.2
30	GR Srv Chrg	3.0	1.3	0.2	0.3	0.3		GR Srv Chrg	3.0	1.8	0.5	0.6	0.3
31	Net to STTF	34.1	15.1	2.8	3.9	3.9		Net to STTF	34.1	20.7	5.2	6.6	3.9
32													
33	Low Estimate												
34	Recurring Forecast	2018-19	2019-20	2020-21	2021-22	2022-23		Cash Forecast	2018-19	2019-20	2020-21	2021-22	2022-23
35	Aviation Fuel Tax Rate	6.90	3.30	1.75	-	-		Aviation Fuel Tax Rate	6.90	3.90	2.01	0.29	-
36	Gross Revenue	51.9	36.0	23.9	7.3	7.5		Gross Revenue	51.9	42.0	26.4	10.2	7.5
37	Refunds	14.7	18.9	19.3	0.5	0.5		Refunds	14.7	18.9	19.3	0.5	0.5
38	DOR Admin Chrg	0.2	0.2	0.2	0.2	0.2		DOR Admin Chrg	0.2	0.2	0.2	0.2	0.2
39	GR Srv Chrg	3.0	1.4	0.4	0.5	0.5		GR Srv Chrg	3.0	1.8	0.6	0.8	0.5
40	Net to STTF	34.1	15.5	4.1	6.1	6.2		Net to STTF	34.1	21.1	6.4	8.7	6.2

	A	B	C	D	E	F	G	H	I	J	K	L	M
43	Impact - GR												
44		High		Middle		Low		<p>To adjust for the recurring and disentangle the Cash, the current estimate of Aviation Fuel gallons was broken out into a Recurring and Cash form. From there, the Recurring was adjusted so that the tax rate in 2019-20 is 4.27 as opposed to the 4.71 effective tax rate which is used in the Cash estimate.</p> <p>The change results in a decrease in the recurring estimates in 2019-20 for both the GR and STTF impacts. The table below showcases this difference in the High.</p>					
45		Cash	Recurring	Cash	Recurring	Cash	Recurring						
46	2018-19	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -						
47	2019-20	\$ (0.6 M)	\$ (0.8 M)	\$ (0.6 M)	\$ (0.7 M)	\$ (0.6 M)	\$ (0.7 M)						
48	2020-21	\$ (1.9 M)	\$ (2.2 M)	\$ (1.8 M)	\$ (2.0 M)	\$ (1.7 M)	\$ (1.9 M)						
49	2021-22	\$ (1.9 M)	\$ (2.2 M)	\$ (1.7 M)	\$ (2.0 M)	\$ (1.6 M)	\$ (1.8 M)						
50	2022-23	\$ (2.2 M)	\$ (2.2 M)	\$ (2.0 M)	\$ (2.0 M)	\$ (1.8 M)	\$ (1.8 M)						
51													
52	Impact - Net to STTF												
53		High		Middle		Low							
54		Cash	Recurring	Cash	Recurring	Cash	Recurring			Before	After		
55	2018-19	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		GR	\$ (1.1 M)	\$ (0.8 M)	2019-20	
56	2019-20	\$ (7.4 M)	\$ (8.9 M)	\$ (7.0 M)	\$ (8.4 M)	\$ (6.6 M)	\$ (7.9 M)		STTF	\$ (12.9 M)	\$ (8.9 M)	2019-20	
57	2020-21	\$ (22.2 M)	\$ (24.8 M)	\$ (21.1 M)	\$ (23.5 M)	\$ (19.9 M)	\$ (22.2 M)						
58	2021-22	\$ (22.1 M)	\$ (25.0 M)	\$ (20.0 M)	\$ (22.8 M)	\$ (17.9 M)	\$ (20.5 M)						
59	2022-23	\$ (25.4 M)	\$ (25.4 M)	\$ (23.1 M)	\$ (23.1 M)	\$ (20.8 M)	\$ (20.8 M)						

REVENUE ESTIMATING CONFERENCE

Tax: Sales Tax/Corporate Income Tax

Issue: Florida Sales Tax Credit Scholarship Program

Bill Number(s): HB 7087

☐ **Entire Bill**

☒ **Partial Bill:** Section 14 of HB 7087

Sponsor(s): House Ways and Means Committee

Month/Year Impact Begins: July 1, 2018

Date of Analysis: February 19, 2018

Section 1: Narrative

a. **Current Law:** The *Florida Tax Credit Scholarship Program* (FTC) was established in 2001 through the provision of tax credits for corporate income tax payers that contribute money to nonprofit Scholarship-Funding Organizations (SFOs). The SFOs award scholarships to students, with the greatest benefit going to families with limited financial resources. In 2009, the program was expanded to provide credits against the insurance premium tax. In 2010, the program was expanded again to provide tax credits against severance taxes on oil and gas production, self-accrued sales tax liabilities of direct pay permit holders, and alcoholic beverage taxes on beer, wine, and spirits. The applicable authorizing statutes are:

- s. 211.0251, F.S., for Severance Taxes on oil and gas
- s. 212.1831, F.S., for Sales and Use Taxes due from direct pay permit holders
- s. 220.1875, F.S., for Corporate Income Tax
- s. 561.1211, F.S., for Beverage Taxes on malt, wine, and liquor
- s. 624.51055, F.S., for Insurance Premium Tax

For Fiscal Year 2017-18, the maximum allocation of credits that can be authorized under the existing FTC program is \$698.9 million. Assuming at least 90 percent of this amount is approved in FY 2017-18, the cap will grow to \$873.6 million in Fiscal Year 2018-19; however, the Revenue Estimating Conference has projected that approved credits will only reach \$699.3 million in FY 2018-19 or 80% of the cap available in that year.

The *Gardiner Scholarship Program* provides scholarships to eligible students with disabilities that can be used to purchase approved services or products in order to design a customized educational program for the student. Examples of how the scholarships can be used include specialized services such as speech or occupational therapy, instructional materials, tuition at eligible private schools, and contributions to college prepaid accounts. The program is administered by SFOs and does not have any income limitations. Currently, the funding for the scholarship awards is appropriated.

b. **Proposed Change:** The bill establishes a new program designated as the *Florida Sales Tax Credit Scholarship Program*. Any dealer as defined in chapter 212 may receive a sales tax credit equal to his or her monetary contribution to an SFO, where the contributions are made in increments of whole scholarships as defined in the authorizing tax law. Total credits are capped at \$154 million per year. Any reduction in tax revenue caused by the new credits must be apportioned in its entirety to the General Revenue Fund.

Section 2: Description of Data and Sources

- <http://www.fldoe.org/schools/school-choice/k-12-scholarship-programs/ftc/ftc-faqs.stml>
- <http://www.fldoe.org/schools/school-choice/k-12-scholarship-programs/gardiner/gardiner-faqs.stml>
- <http://www.myfloridahouse.gov/Sections/Documents/loaddoc.aspx?PublicationType=Committees&CommitteeId=2892&Session=2017A&DocumentType=General%20Publications&FileName=2017A%20FEFP%20.pdf>
- <http://edr.state.fl.us/Content/conferences/generalrevenue/grscholarshiptaxcreditestimates.pdf>

Section 3: Methodology (Include Assumptions and Attach Details)

- Participation Rate...The bill distinguishes the tax provisions from ongoing program operations. Contributions are authorized to be used for any eligible purpose under either the FTC or Gardiner programs, but—for the sole purpose of calculating the tax credit—they are grouped and characterized as scholarships that are linked to the FTC's maximum award levels. These FTC maximums become the minimum contribution levels to receive a credit. If this program had been in place for Fiscal Year 2017-18, the scholarship levels would be determined as percentages of the unweighted FTE funding amount as follows: (see 1st Calculation = \$7,296.23)
 - Eighty-eight percent for a student enrolled in kindergarten through grade 5...\$6420.68
 - Ninety-two percent for a student enrolled in grade 6 through grade 8...\$6712.53

REVENUE ESTIMATING CONFERENCE

Tax: Sales Tax/Corporate Income Tax

Issue: Florida Sales Tax Credit Scholarship Program

Bill Number(s): HB 7087

- Ninety-six percent for a student enrolled in grade 9 through grade 12...\$7004.38

In FY 2016-17, the FTC had 319 approved applicants for tax credits. For the 2016 calendar year (the most recent available annual dataset), the total number of sales tax dealers was 728,353; of this total, there were 610,522 designated as business partners. [Note: The number of dealers represents each unique location where taxable activities are conducted, while the business partners may have multiple or consolidated sales tax accounts.]

The analysis assumes that program participation by businesses will be high and fully use the available credit allocation of \$154 million per year. There are three major reasons for this assumption: (1) the bill would allow small and non-corporate entities registered under Chapter 212 as dealers to participate who are not eligible to do so today, thereby broadening the pool; (2) the feasible contribution levels are relatively low and offset by the full credit, making them ultimately costless to the contributor; and (3) participating dealers would be able to advertise the number of their sponsored scholarships to their local communities, even if the business sponsors only one or a limited number.

- b. Cannibalization from the Existing FTC...Relative to the Corporate Income Tax (CIT) portion of the FTC, this program will likely reduce the time period significantly from contribution to credit actualization. Because of this feature, there will likely be a negative impact on the existing forecast for the FTC. In the 2015 calendar year (the most recent available annual dataset), there were 20,681 CIT entities that had liabilities greater than zero. Of this group, 8,039 were also sales tax remitters with business partner identification numbers that matched to the 2016 Calendar Year Sales Tape. In Fiscal Year 2016-17, there were 174 approved applications for FTC-CIT credits, with an average contribution of \$577,996. The analysis assumes that the CIT portion of the FTC will decline as some corporate participants (either existing or anticipated to become involved in the future) switch to the new program. This will reduce the current estimate for the FTC, thereby restoring tax dollars that would then be used for the new program. The higher the cannibalization rate is from the FTC, the lower the effective cost of the new program will be. The analysis also assumes diverted FTC contributors will be the first to participate.

Section 4: Proposed Fiscal Impact

Florida Sales Tax Credit Scholarship Program...

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2018-19	-86.9	-154.0	-99.5	-154.0	-112.2	-154.0
2019-20	-154.0	-154.0	-154.0	-154.0	-154.0	-154.0
2020-21	-154.0	-154.0	-154.0	-154.0	-154.0	-154.0
2021-22	-154.0	-154.0	-154.0	-154.0	-154.0	-154.0
2022-23	-154.0	-154.0	-154.0	-154.0	-154.0	-154.0

Florida Tax Credit Scholarship Program...

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2018-19	+19.8	+29.5	+45.0	+54.8	+70.4	+80.1
2019-20	+28.6	+29.5	+53.8	+54.8	+79.1	+80.1
2020-21	+29.5	+29.5	+54.8	+54.8	+80.1	+80.1
2021-22	+29.5	+29.5	+54.8	+54.8	+80.1	+80.1
2022-23	+29.5	+29.5	+54.8	+54.8	+80.1	+80.1

Net Impact to General Revenue...

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2018-19	-67.1	-124.5	-54.5	-99.2	-41.8	-73.9
2019-20	-125.4	-124.5	-100.2	-99.2	-74.9	-73.9
2020-21	-124.5	-124.5	-99.2	-99.2	-73.9	-73.9
2021-22	-124.5	-124.5	-99.2	-99.2	-73.9	-73.9
2022-23	-124.5	-124.5	-99.2	-99.2	-73.9	-73.9

REVENUE ESTIMATING CONFERENCE

Tax: Sales Tax/Corporate Income Tax

Issue: Florida Sales Tax Credit Scholarship Program

Bill Number(s): HB 7087

List of affected Trust Funds:

None; General Revenue Fund only.

Section 5: Consensus Estimate (Adopted: 02/21/2018): The conference adopted a modified high impact that adjusted the cannibalization factor to 19.4% and assumed that 100% of scholarships would be taken in the first year of the program. The impact shown below is the net effect on General Revenue after incorporating the cannibalization factor.

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2018-19	(144.1)	(139.2)	0.0	0.0	0.0	0.0	(144.1)	(139.2)
2019-20	(139.7)	(139.2)	0.0	0.0	0.0	0.0	(139.7)	(139.2)
2020-21	(139.2)	(139.2)	0.0	0.0	0.0	0.0	(139.2)	(139.2)
2021-22	(139.2)	(139.2)	0.0	0.0	0.0	0.0	(139.2)	(139.2)
2022-23	(139.2)	(139.2)	0.0	0.0	0.0	0.0	(139.2)	(139.2)

Adopted Tax Credit Scholarship Forecast (February 2018)

	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Beverage	425.0	425.0	425.0	425.0	425.0	425.0
Sales	14.0	15.0	18.0	21.1	21.1	21.1
IPT	65.0	76.8	78.3	79.9	79.9	79.9
Severance	1.0	1.5	1.8	2.0	2.0	2.0
CIT	130.0	181.0	203.5	206.0	206.0	206.0
Totals	635.0	699.3	726.6	734.0	734.0	734.0

Part 1: Cannibalization Factor

	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
a. Total CIT Estimates	181.0	203.5	206.0	206.0	206.0
b. Cit Growth Over 2017-18	51.0	73.5	76.0	76.0	76.0

Dealers also Paying CIT 8,039
 CIT filers with liability > 0 20,681
 Percentage 38.9%

	Factor		FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Low	38.9%	Factor x Total "a"	70.4	79.1	80.1	80.1	80.1
Middle		Avg High & Low	40.1	46.7	47.4	47.4	47.4
High	19.4%	Factor x Growth "b"	9.9	14.3	14.8	14.8	14.8

Part 2: New Participants (= Net GR Impact)

	Total Program	Yr 1 Share of \$154	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Low	154.00	54%	83.6	74.9	73.9	73.9	73.9
Middle	154.00	74%	113.9	107.3	106.6	106.6	106.6
High	154.00	94%	144.1	139.7	139.2	139.2	139.2

Part 3: First Year Adjustment

		Low	Middle	High
100% CIT Cannibalization	1.00	70.357	40.135	9.912
50% New Participants	1.00	83.643	113.865	144.088
	Total	154.000	154.000	154.000
	Share of Total Program	100.0%	100.0%	100.0%

Check #1: Number of newly participating businesses, assuming each generated one scholarship (K-5)

\$6,420.68

Note: The calculations below make no adjustment for the first (implementation) year.

	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Number of Newly Participating...					
Low	13,027	11,665	11,514	11,514	11,514
Middle	17,734	16,713	16,599	16,599	16,599
High	22,441	21,760	21,684	21,684	21,684
Assuming No Cannibalization	23,985	23,985	23,985	23,985	23,985

	610,522	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Share of Sales Tax Dealers...						
Low		2.1%	1.9%	1.9%	1.9%	1.9%
Middle		2.9%	2.7%	2.7%	2.7%	2.7%
High		3.7%	3.6%	3.6%	3.6%	3.6%
Assuming No Cannibalization		3.9%	3.9%	3.9%	3.9%	3.9%

Check #2: Number of newly participating businesses, assuming each generated typical # of scholarships (K-5)

\$6,420.68

	FY 2016-17	Applications	Dollars	Avg Per App	Scholarships
		319	\$552,553,583	\$1,732,143	270

	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Low	48	43	43	43	43
Middle	66	62	62	62	62
High	83	81	80	80	80
Assuming No Cannibalization	89	89	89	89	89

REVENUE ESTIMATING CONFERENCE

Tax: Sales and Use Tax

Issue: Hope Scholarships - \$105 Donation Amount

Bill Number(s): CS/ HB 7055 – Sections 4, 5, & 23

☐ **Entire Bill**

☒ **Partial Bill:**

Sponsor(s): Rep. Bileca, Diaz, Appropriations Committee, Education Committee

Month/Year Impact Begins: July 1, 2018

Date of Analysis: 2/21/2018

Section 1: Narrative

a. Current Law: Currently, there is no sales tax credit for this purpose.

b. Proposed Change: CS/HB 7055 creates s. 212.1832, Florida Statutes, titled: "Credit for contributions to the Hope Scholarship Program" to give the purchaser of a motor vehicle "a credit of 100 percent of an eligible contribution made to an eligible nonprofit scholarship-funding organization under s. 1002.40 against any tax imposed by the state and collected from the purchaser by a dealer, designated agent, or private tag agent as a result of the purchase or acquisition of a motor vehicle... A dealer shall take a credit against any tax imposed by the state under this chapter on the purchase of a motor vehicle in an amount equal to the credit granted to the purchaser."

CS/HB 7055 also creates section 1002.40, Florida Statutes, establishing the Hope Scholarship Program, specifying that the contribution "is limited to a single payment of \$105 per motor vehicle purchased at the time of purchase of a motor vehicle or a single payment of \$105 per motor vehicle purchased at the time of registration of a motor vehicle that was not purchased from a dealer." Further, the bill states: "Payments of contributions shall be made to a dealer at the time of purchase of a motor vehicle or to a designated agent or private tag agent at the time of registration of a motor vehicle that was not purchased from a dealer."

In the bill, "dealer" is defined as in s.212.06 and "motor vehicle" is defined as in s.320.01(1)(a) but excludes heavy trucks, truck tractors, trailers, and motorcycles. A "contribution" is defined as "a monetary contribution from a person purchasing a motor vehicle..." A purchase specifically excludes leases and rentals.

The bill also states the following: "For purposes of the distributions of tax revenue under s. 212.20, the department shall disregard any tax credits allowed under this section to ensure that any reduction in tax revenue received that is attributable to the tax credits results only in a reduction in distributions to the General Revenue Fund."

Section 2: Description of Data and Sources

House of Representatives Staff Analysis, Appropriations Committee, 2/6/2018.

1/25/2018 Highway Safety Revenue Estimating Conference

Email and phone correspondence with staff from the Department of Highway Safety and Motor Vehicles

Department of Revenue, Tax Research and Technical Offices

Arizona Department of Revenue, School Tuition Organization Income Tax Credits In Arizona Summary of Activity: FY 2015/2016,

<https://www.azdor.gov/Portals/0/Reports/FY2016%20Private%20School%20Tuition%20Org%20Credit%20Report.pdf>

U.S. Department of Education, National Center for Education Statistics, December 2016, Student Reports of Bullying: Results from the 2015 School Crime Supplement to the National Crime Victimization Survey, <https://nces.ed.gov/pubs2017/2017015.pdf>.

Florida Department of Education, Public School Student Enrollment, K-12, School Year 2016-17, DOE Education Statistics Portal, <https://edstats.fldoe.org/SASPortal/main.do>

Section 3: Methodology (Include Assumptions and Attach Details)

This analysis makes the following assumptions:

- **Person:** The definition of "person" has the same meaning as provided in s.212.02(12). This includes individuals and firms.
- **Motor vehicles:** The definition includes cars and light trucks, including antique cars and trucks.
- **Motor vehicle condition:** The estimate includes both new and used motor vehicles as the bill does not specify nor prohibit one or the other kind explicitly.
- **Motor vehicle use:** Estimates include motor vehicles purchased for a personal or a commercial purpose by a person or a firm.

REVENUE ESTIMATING CONFERENCE

Tax: Sales and Use Tax

Issue: Hope Scholarships - \$105 Donation Amount

Bill Number(s): CS/ HB 7055 – Sections 4, 5, & 23

This analysis uses the approach in the impact of the proposed language adopted at the Revenue Estimating Conference on December 1, 2017 for development of the estimate for new and used car purchases. The adopted approach uses data on the \$21 title fee transactions from the Highway Safety Revenue Estimating Conference. The title fee is paid on all new or used motor vehicle title issuances excluding for-hire vehicles. This analysis uses data from the January 2018 Highway Safety Revenue Estimating Conference.

Motor Vehicle Market Transactions

There were 5,200,610 base title fee transactions in FY 2016-17 according to the January 25, 2018 Highway Safety REC. The FY 2016-17 vehicle shares for base tag fee were used to calculate the number of base title fee transactions that are Private Autos (3,900,458 or 75%) and Other Eligible Motor Vehicles (76,449 or 1.5%). The remaining title transactions (23.5%) were excluded because they are for motor vehicles specifically excluded by the bill, such as heavy trucks, trailers, and motorcycles. Base title fees, however, include non-market transactions, such as inheritances, transfers, etc. that represent approximately 13 percent of all base title fees according to the Department of Highway Safety and Motor Vehicles. Thus, both Private Autos and Other Eligible Motor Vehicles, were multiplied by a factor of 0.87 to exclude inheritances and transfers. The remaining 3,459,908 in title transactions is the best representation of the total sales of new or used eligible motor vehicles in FY 2016-17 and serves as the universe of taxpayers that potentially may take advantage of the Hope Scholarship tax credit.

The estimate does not include for hire vehicle purchases to be rented or leased as these dealers do not pay sales tax at the time of purchase of the fleet. Even though the estimate should include the purchase of fleets by taxi cab companies, EDR was unable to isolate taxi cab companies' purchases from the total for-hire transactions. Yet, these transactions are assumed to be immaterial to the final estimate in this analysis.

Participation Rate

Four participation rates are discussed below as presented in the analysis discussed on December 1, 2017 and the last three formed the low, middle, and high in that analysis (#2, #3, and #4).

1. **Florida voluntary contributions at the point of vehicle registration. This approach was not used to produce an estimate at the REC on December 1, 2017 and is not used herein.** Florida DHSMV asks persons if they want to make a voluntary contribution ranging from \$1 to \$4 to certain causes (depending on the cause). Based on the Highway Safety REC history files, approximately 1 percent of persons elect to make a voluntary \$1 to \$4 donation at the time of vehicle registration. Some of the causes that attract relatively larger contributions are: Prevent Child Sex Abuse, Support Our Troops, and Autism Programs.
2. **IRS' Presidential Election Campaign Fund. This approach produced the low estimate in the analysis presented at the REC on December 1, 2017. It is also the low estimate herein.** The IRS has a voluntary contribution program that allows taxpayers to check a box on their annual tax returns if they want to make a contribution of \$3 for individual or \$6 for filing jointly. In tax year 2014, 4.3 percent of returns had this box checked. The first year the program was introduced (1999), 11.2 percent of returns had this box checked. The IRS explains the program as follows:

"This fund helps pay for Presidential election campaigns. The fund reduces candidates' dependence on large contributions from individuals and groups and places candidates on an equal financial footing in the general election. The fund also helps pay for pediatric medical research. If you want \$3 to go to this fund, check the box. If you are filing a joint return, your spouse can also have \$3 go to the fund. If you check a box, your tax or refund won't change."
3. **Arizona School Income Tax Credits. This approach produced the middle estimate in the analysis presented at the REC on December 1, 2017. It is the middle estimate herein.** Arizona has the oldest school tax credit program in the U.S. (1998). It currently has five school income tax credit programs, three of which are considered relevant to this analysis because they allow individuals (as opposed to corporations) to make contributions: Original Individual Income Tax Credit for private schools, Switcher Individual Income Tax Credit, and Individual Income Tax Credit for the Support of Extracurricular Activities or Character Education Programs in public schools. The switcher program is only for individuals who have already maxed out their contribution for the Original Individual Income Tax Credit for private schools, so it is duplicative and it is not used

REVENUE ESTIMATING CONFERENCE

Tax: Sales and Use Tax

Issue: Hope Scholarships - \$105 Donation Amount

Bill Number(s): CS/ HB 7055 – Sections 4, 5, & 23

further in this analysis. In tax year 2015, 92,554 tax returns contributed to the Original Individual Income Tax Credit and 168,809 to the Individual Income Tax Credit for the Support of Extracurricular Activities or Character Education Programs in public schools program. This represents 8.8 percent of tax returns for that tax year.

4. **Issue awareness of families of children who were bullied. This approach produced the high estimate in the analysis presented at the REC on December 1, 2017. The conference adopted this approach as an “at least as” impact. This is the high estimate in this analysis as well.** It might be likely that family members of children who are subjected to bullying in school may be more likely to contribute to such a cause. The U.S. Department of Education reports that 20.8 percent of children in grades 6 through 12 were bullied in school year 2014-15. This represents 573,385 children enrolled in Florida public schools in grades K-12. This analysis assumes that the percentage applies to all grades and that this approach will only be relevant for families of public school children. To account for the fact that in practice not everyone gives even if it is at no cost, EDR assumes that only 67 percent of student families will participate (384,168 families) based on statistics from the Urban Institute’s The Nonprofit Almanac. Further, EDR assumes that each student has a family of six who are aware of the bullying issue. Assuming that people purchase a car every six years, a sixth of these family members are likely to purchase a used or new motor vehicle each year. This results in 384,168 persons likely to purchase a motor vehicle and likely to contribute to the Hope Scholarship, accounting for 11.1 percent of eligible motor vehicle purchases in FY 2016-17.

No adjustments were made to account for a purchaser’s behavior due to the change in the contribution amount from \$20 to \$105. A larger contribution amount may affect the participation rate because of the perceived higher value of the contribution even though none of it is out of pocket. Some participants might potentially be less likely to participate since it requires a larger “commitment” especially if the contribution process appears to them to be not completely transparent and clear. On the other hand, some purchasers might potentially be more likely to participate if they perceive the higher amount as a more meaningful contribution. Further, the participation rate might be affected by whether the contributions will be made as a separate payment of \$105, i.e. a separate check. This analysis was unable to find specific language in the bill that determines explicitly whether a separate payment is required or not. Furthermore, no adjustment is made for different purchaser behavior and characteristics based on whether the purchase is of a new or a used car.

Based on approaches #2, #3, and #4 above, the bill’s specification that the contribution is per vehicle, and the assumption that participation rates remain constant over time, the table below shows the estimated number of participants and the corresponding reduction in sales tax collections from FY 2017-18 to FY 2022-23.

	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Number of Participants						
Participation rate of 4.3% based on IRS Presidential Campaign Fund	150,204	152,282	153,956	154,676	154,991	156,302
Participation rate of 8.8% based on Arizona Individual School Tax Credits	306,530	310,772	314,187	315,657	316,301	318,975
Participation rate of 11.1% based on families of bullied children	386,760	392,113	396,422	398,277	399,089	402,463
Sales Tax Collections						
Participation rate of 4.3% based on IRS Presidential Campaign Fund	(15,771,420)	(15,989,610)	(16,165,380)	(16,240,980)	(16,274,055)	(16,411,710)
Participation rate of 8.8% based on Arizona Individual School Tax Credits	(32,185,650)	(32,631,060)	(32,989,635)	(33,143,985)	(33,211,605)	(33,492,375)
Participation rate of 11.1% based on families of bullied children	(40,609,800)	(41,171,865)	(41,624,310)	(41,819,085)	(41,904,345)	(42,258,615)

The bill takes effect on July 1, 2018, resulting in 11 months of impact in FY 2018-19.

If every purchaser of a motor vehicle makes a contribution, the effect will be as follows:

	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Number of Participants						
Participation rate of 100%	3,483,256	3,531,461	3,570,271	3,586,973	3,594,286	3,624,676
Sales Tax Collections						
Participation rate of 100%	(365,741,880)	(370,803,405)	(374,878,455)	(376,632,165)	(377,400,030)	(380,590,980)

REVENUE ESTIMATING CONFERENCE

Tax: Sales and Use Tax

Issue: Hope Scholarships - \$105 Donation Amount

Bill Number(s): CS/ HB 7055 – Sections 4, 5, & 23

Section 4: Proposed Fiscal Impact

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2018-19	(37.7)	(41.2)	(29.9)	(32.6)	(14.7)	(16.0)
2019-20	(41.6)	(41.6)	(33.0)	(33.0)	(16.2)	(16.2)
2020-21	(41.8)	(41.8)	(33.1)	(33.1)	(16.2)	(16.2)
2021-22	(41.9)	(41.9)	(33.2)	(33.2)	(16.3)	(16.3)
2022-23	(42.3)	(42.3)	(33.5)	(33.5)	(16.4)	(16.4)

List of affected Trust Funds: Only General Revenue is affected.

Section 5: Consensus Estimate (Adopted: 02/21/2018): The Conference adopted the high estimate as an at least as impact.

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2018-19	(37.7)	(41.2)	0.0	0.0	0.0	0.0	(37.7)	(41.2)
2019-20	(41.6)	(41.6)	0.0	0.0	0.0	0.0	(41.6)	(41.6)
2020-21	(41.8)	(41.8)	0.0	0.0	0.0	0.0	(41.8)	(41.8)
2021-22	(41.9)	(41.9)	0.0	0.0	0.0	0.0	(41.9)	(41.9)
2022-23	(42.3)	(42.3)	0.0	0.0	0.0	0.0	(42.3)	(42.3)

	A	B	C	D	E	F	G	H
1								
2	REVISED: 2/21/2018							
3	1. Estimate of eligible motor vehicles							
4	Personal and Commercial Purchases of New and Used Motor Vehicles							
5		FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
6	\$21 Base Title Fee Transactions (New and Used Motor Vehicles)	5,200,610	5,235,703	5,308,162	5,366,497	5,391,601	5,402,593	5,448,272
7	Deduct assumed non-eligible motor vehicles (23.5%)	-1,223,704	-1,231,961	-1,249,011	-1,262,737	-1,268,644	-1,271,230	-1,281,978
8	Remaining eligible motor vehicles, of which:	3,976,906	4,003,742	4,059,151	4,103,760	4,122,957	4,131,363	4,166,294
9	Private autos (cars and light trucks, 75%)	3,900,458	3,926,777	3,981,122	4,024,873	4,043,701	4,051,945	4,086,204
10	Other assumed eligible motor vehicles (antique cars & trucks, 1.5%)	76,449	76,965	78,030	78,888	79,257	79,418	80,090
11	Deduct transactions not related to sales (inheritance, transfers, etc., 13%)	-516,998	-520,486	-527,690	-533,489	-535,984	-537,077	-541,618
12	Remaining eligible motor vehicle market transactions	3,459,908	3,483,256	3,531,461	3,570,271	3,586,973	3,594,286	3,624,676
13	Source: Highway Safety Revenue Estimating Conference history file.							
14								
15								
16	2. Estimate of participation rates							
17	2.1. Florida participation rates							
18								
19	Florida Voluntary Contributions Participation Rates FY 2016-17							
20								
21	Voluntary donations - vehicle registrations	1.0%						
22	Voluntary donations - driver's licenses	4.5%						
23	Specialty tags	7.5%						
24	Source: Highway Safety REC history file.							
25								
26	2.2. IRS Presidential Campaign Fund							
27		Tax Year 2010	Tax Year 2011	Tax Year 2012	Tax Year 2013	Tax Year 2014		
28	All returns	142,892,051	145,370,240	144,928,472	147,351,299	148,606,578		
29	Returns with Presidential Election Campaign Fund check off:	7,901,035	7,895,764	7,460,172	6,841,039	6,408,152		
30	Participation rate	5.5%	5.4%	5.1%	4.6%	4.3%		
31	Source: Internal Revenue Service.							
32								
33	2.3. Arizona participation rates							
34								
35	Individual Income Tax Credit for the Support of Extracurricular Activities or Character Education Programs	168,809						
36	Original Individual Income Tax Credit for Private Schools	92,554						
37	Total contributions	261,363						
38	Arizona Individual Income Tax Returns Received	2,970,000						
39	Participation rate	8.8%						
40	Source: Arizona Department of Revenue.							
41								
42	2.4 Families of victims of bullying or other types of threats/ intimidations							
43								
44	Florida public school enrollment ¹ , school year 2016-17	2,756,658						
45	Percent bullied ²	20.8%						
46	Children bullied	573,385						
47	Children's families, likely to contribute (67%) ³	384,168						
48	Adjustment for 6 family members per student and car purchase once every 6 years (multiply and divide by 6) ⁴	384,168						
49	Number of family members of children, subjected to bullying, who are likely to contribute when purchasing a motor vehicle each year	384,168						
50	Percent of total purchases in 2016-17	11.1%						
51	¹ Florida Department of Education, Public School Student Enrollment, K-12, School Year 2016-17, DOE Education Statistics Portal, https://edstats.fl DOE.org/SASPortal/main.do							
52	² U.S. Department of Education, National Center for Education Statistics, December 2016, Student Reports of Bullying: Results from the 2015 School Crime Supplement to the National Crime Victimization Survey, https://nces.ed.gov/pubs2017/2017015.pdf .							
53	³ Charitable Giving in America: Some Facts and Figures, The Nonprofit Almanac, National Center fo Charitable Statistics, http://nccs.urban.org/data-statistics/charitable-giving-america-some-facts-and-figures .							
54	⁴ Phil LeBeau, CNBC, Americans holding onto their cars longer than ever, July 2015, https://www.cnbc.com/2015/07/28/americans-holding-onto-their-cars-longer-than-ever.html . Note: An verage of 6 years was assumed based on 6.5 years for a new car and 5.3 years for a used car.							
55								
56	3. Estimate of program participants and sales tax collections, assuming each vehicle sold is eligible for a \$105 credit & participation rates are constant.							
57		FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	
58	Number of Participants							
59	Participation rate of 4.3% based on IRS Presidential Campaign Fund	150,204	152,282	153,956	154,676	154,991	156,302	
60	Participation rate of 8.8% based on Arizona Individual School Tax Credits	306,530	310,772	314,187	315,657	316,301	318,975	
61	Participation rate of 11.1% based on families of bullied children	386,760	392,113	396,422	398,277	399,089	402,463	
62	Sales Tax Collections							
63	Participation rate of 4.3% based on IRS Presidential Campaign Fund	(15,771,420)	(15,989,610)	(16,165,380)	(16,240,980)	(16,274,055)	(16,411,710)	
64	Participation rate of 8.8% based on Arizona Individual School Tax Credits	(32,185,650)	(32,631,060)	(32,989,635)	(33,143,985)	(33,211,605)	(33,492,375)	
65	Participation rate of 11.1% based on families of bullied children	(40,609,800)	(41,171,865)	(41,624,310)	(41,819,085)	(41,904,345)	(42,258,615)	
66								
67	4. Maximum participation rate							
68		FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	
69	Number of Participants							
70	Participation rate of 100%	3,483,256	3,531,461	3,570,271	3,586,973	3,594,286	3,624,676	
71	Sales Tax Collections							
72	Participation rate of 100%	(365,741,880)	(370,803,405)	(374,878,455)	(376,632,165)	(377,400,030)	(380,590,980)	
73								