

## REVENUE ESTIMATING CONFERENCE

**Tax:** Sales and Use Tax

**Issue:** Rental Car Surcharge Peer-to-Peer Services

**Bill Number(s):** CS HB 1111 and CS SB 1148

**Entire Bill**

**Partial Bill:**

**Sponsor(s):** Representative Latvala and Senator Perry

**Month/Year Impact Begins:** 07/01/2019

**Date of Analysis:** 04/12/2019

### Section 1: Narrative

- a. **Current Law:** Per section 212.0606, F.S., car rentals are subject to the \$2 per day rental car surcharge for the first 30 days except for people whose vehicles are being repaired, adjusted, or serviced by the entities providing the replacement vehicle. A member or a car sharing service pays \$2 if the rental is for a least 24 consecutive hours and \$1 if the rental is less than 24 consecutive hours. Under current law, the rental car surcharge is subject to sales tax and local discretionary surtax.

Peer-to-peer car sharing services sites allow vehicle owners interested in renting their vehicles to register as hosts. The host specifies the vehicle's location and availability. The peer-to-peer car sharing services site connects the host to potential renters and assists with determining a rental fee based on location and rental period. The rental fee is typically paid via direct deposit. According to the Department of Revenue, vehicle owners who earn rental revenue generated through peer-to-peer car sharing services are currently required to remit rental car surcharge and sales tax. According to the Department of Highway Safety and Motor Vehicles, vehicle owners acting as hosts on peer-to-peer car sharing sites do not register their vehicles as for-hire vehicles.

- b. **Proposed Change:** Section 212.0606, F.S. is revised so that the lease or rental of a motor vehicle requiring payment of the \$2 per day rental car surcharge specifically includes the lease or renting of a motor vehicle through a peer-to-peer car sharing program. When the rental is through a peer-to-peer car sharing program, the rental car surcharge is \$1 if the duration is less than 24 hours. The peer-to-peer car sharing program is specifically defined as the "dealer," making it responsible to report surcharge and sales tax collections. Section 320.01 is revised to define a peer-to-peer car sharing program as a business platform that connects vehicle owners with drivers to enable the renting of vehicles for financial consideration.

### Section 2: Description of Data and Sources

Contact with Department of Revenue staff and Department of Highway Safety and Motor Vehicles staff

CS HB 1111 Staff Analysis prepared by the Transportation and Infrastructure Subcommittee on 03/28/2019

Turo, Getaraound, and Drift websites

03/05/2019 Transportation REC

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

There will be a positive impact to the General Revenue Fund, local funds, and state trust funds from increased collections of sales tax and rental car surcharge related to peer-to-peer rentals. Although these taxes are currently required to be remitted during peer-to-peer transactions, there currently is no mechanism in place to facilitate tax payments. It is assumed that current collections are only five percent of activity. The bill specifically defines the peer-to-peer car sharing program as the "dealer," making it responsible to report surcharge and sales tax collections.

There are three major companies that provide peer-to-peer car sharing services in Florida. One of these services reported that they have 23,000 hosts who earn about \$300 per month. It is assumed that this company is pointedly larger than the other two. The 23,000 hosts from this company are extrapolated out assuming the company represents 60% of market share in the high scenario, 70% of market share in the middle scenario, and 90% of market share in the low scenario. Total revenue per month is calculated using total hosts times \$375 (\$300 earned by hosts plus 20% kept by the peer-to-peer service). Total annual collections is multiplied by 6% to calculate sales tax collections. For all three scenarios, 5% is deducted for current collections and future years are grown by rental car surcharge growth rates from the Transportation REC. To calculate additional rental car surcharge revenue, the total revenue is divided by the total average daily rate of \$80 (\$50 base fee, \$30 add-on fees). In all three scenarios 5% is deducted for current collections, future years are grown by rental car surcharge growth rates from the Transportation REC, and 5% of transactions are assumed to have a rental period less than 24 hours. The GR and state trust fund calculations are based upon the statutory distribution percentages.

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According to Department of Highway Safety and Motor Vehicle, changes made in this bill with not result in vehicle owners participating as hosts on peer-to-peer car sharing services to register their vehicles as for-hire vehicles.

**Section 4: Proposed Fiscal Impact**

**Sales Tax**

GR	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2019-20	9.0	9.8	7.7	8.4	6.1	6.6
2020-21	10.0	10.0	8.6	8.6	6.7	6.7
2021-22	10.2	10.2	8.7	8.7	6.8	6.8
2022-23	10.4	10.4	8.9	8.9	6.9	6.9
2023-24	10.6	10.6	9.1	9.1	7.1	7.1

**Rental Car Surcharge**

GR	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2019-20	0.3	0.3	0.3	0.3	0.1	0.1
2020-21	0.3	0.3	0.3	0.3	0.1	0.1
2021-22	0.3	0.3	0.3	0.3	0.1	0.1
2022-23	0.3	0.3	0.3	0.3	0.1	0.1
2023-24	0.3	0.3	0.3	0.3	0.1	0.1

Trust	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2019-20	3.1	3.7	2.6	3.1	2.0	2.4
2020-21	3.7	3.7	3.2	3.2	2.5	2.5
2021-22	3.8	3.8	3.3	3.3	2.5	2.5
2022-23	3.9	3.9	3.3	3.3	2.6	2.6
2023-24	4.0	4.0	3.4	3.4	2.6	2.6

**List of affected Trust Funds:**

General Revenue Fund

Local Funds

State Transportation Trust Fund

Tourism Promotional Trust Fund

Florida International Trade and Promotion Trust Fund

**Section 5: Consensus Estimate (Adopted: 04/12/2019):** The Conference adopted a positive indeterminate impact for cash and recurring. It is unclear the extent to which the provisions of this bill are enforceable given the out-of-state nature of the current marketplace providers.

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2019-20	**	**	**	**	0.0	0.0	**	**
2020-21	**	**	**	**	0.0	0.0	**	**
2021-22	**	**	**	**	0.0	0.0	**	**
2022-23	**	**	**	**	0.0	0.0	**	**
2023-24	**	**	**	**	0.0	0.0	**	**

	A	B	C	D	E	F	G	H
1	<b>CS HB 1111, CS SB 1148</b>							
2								
3	<b>Industry Data Calculations</b>					<b>Rental Car Surcharge</b>		
4		<b>One P2P's data</b>	<b>Low</b>	<b>Middle</b>	<b>High</b>	<b>Growth Rates</b>		
5	Hosts	23,000	25,556	32,857	38,333		2019-20	2.31%
6	Avg Host \$ per month	\$ 300	300	300	300		2020-21	1.80%
7	Plus 20% kept by P2P	\$ 375	375	375	375		2021-22	1.67%
8	FL Total \$ per month	\$ 8,625,000	\$ 9,583,333	\$ 12,321,429	\$ 14,375,000		2022-23	1.99%
9	FL Total \$ per year	\$ 103,500,000	\$ 115,000,000	\$ 147,857,143	\$ 172,500,000		2023-24	2.23%
10	Assumed daily rate	\$ 50	\$ 50	\$ 50	\$ 50			
11	Plus add-ons	\$ 30	\$ 30	\$ 30	\$ 30			
12	Total daily rate	\$ 80	\$ 80	\$ 80	\$ 80			
13	FL Days per year	1,293,750	1,437,500	1,848,214	2,156,250			
14								
15	<b>Sales Tax Calculations</b>							
16		<b>Low</b>	<b>Middle</b>	<b>High</b>				
17	Total \$ Per Year	\$ 115,000,000	\$ 147,857,143	\$ 172,500,000				
18	Sales Tax @ 6%							
19	2019-20	\$ 6,555,000	\$ 8,427,857	\$ 9,832,500				
20	2020-21	\$ 6,673,286	\$ 8,579,939	\$ 10,009,929				
21	2021-22	\$ 6,785,000	\$ 8,723,571	\$ 10,177,500				
22	2022-23	\$ 6,919,714	\$ 8,896,776	\$ 10,379,571				
23	2023-24	\$ 7,074,143	\$ 9,095,327	\$ 10,611,214				
24	*Note: Growth by RCS growth rates. Reduced by 5% for current payers.							
25								
26	<b>Rental Car Surcharge Calculations (Low)</b>							
27		<b>Days</b>	<b>RCS Total \$</b>	<b>GR</b>	<b>TPTF</b>	<b>FIT&amp;P TF</b>	<b>STTF</b>	
28	2019-20	1,365,625	\$ 2,662,969	\$ 213,038	\$ 385,864	\$ 104,122	\$ 1,959,945	
29	2020-21	1,390,268	\$ 2,711,022	\$ 216,882	\$ 392,827	\$ 106,001	\$ 1,995,312	
30	2021-22	1,413,542	\$ 2,756,406	\$ 220,513	\$ 399,403	\$ 107,775	\$ 2,028,715	
31	2022-23	1,441,607	\$ 2,811,134	\$ 224,891	\$ 407,333	\$ 109,915	\$ 2,068,995	
32	2023-24	1,473,780	\$ 2,873,871	\$ 229,910	\$ 416,424	\$ 112,368	\$ 2,115,169	
33	Assumes 95% pay \$2, 5% pay \$1; 5% are currently paying the surcharge							
34								
35	<b>Rental Car Surcharge Calculations (Middle)</b>							
36		<b>Days</b>	<b>RCS Total \$</b>	<b>GR</b>	<b>TPTF</b>	<b>FIT&amp;P TF</b>	<b>STTF</b>	
37	2019-20	1,755,804	\$ 3,423,817	\$ 273,905	\$ 496,111	\$ 133,871	\$ 2,519,929	
38	2020-21	1,787,487	\$ 3,485,600	\$ 278,848	\$ 505,063	\$ 136,287	\$ 2,565,402	
39	2021-22	1,817,411	\$ 3,543,951	\$ 283,516	\$ 513,518	\$ 138,568	\$ 2,608,348	
40	2022-23	1,853,495	\$ 3,614,315	\$ 289,145	\$ 523,714	\$ 141,320	\$ 2,660,136	
41	2023-24	1,894,860	\$ 3,694,976	\$ 295,598	\$ 535,402	\$ 144,474	\$ 2,719,503	
42	Assumes 95% pay \$2, 5% pay \$1; 5% are currently paying the surcharge							
43								
44	<b>Rental Car Surcharge Calculations (High)</b>							
45		<b>Days</b>	<b>RCS Total \$</b>	<b>GR</b>	<b>TPTF</b>	<b>FIT&amp;P TF</b>	<b>STTF</b>	
46	2019-20	2,048,438	\$ 3,994,453	\$ 319,556	\$ 578,796	\$ 156,183	\$ 2,939,918	
47	2020-21	2,085,402	\$ 4,066,533	\$ 325,323	\$ 589,241	\$ 159,001	\$ 2,992,969	
48	2021-22	2,120,313	\$ 4,134,609	\$ 330,769	\$ 599,105	\$ 161,663	\$ 3,043,073	
49	2022-23	2,162,411	\$ 4,216,701	\$ 337,336	\$ 611,000	\$ 164,873	\$ 3,103,492	
50	2023-24	2,210,670	\$ 4,310,806	\$ 344,864	\$ 624,636	\$ 168,553	\$ 3,172,753	
51	Assumes 95% pay \$2, 5% pay \$1; 5% are currently paying the surcharge							
52								

**Sales Tax**

GR	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2019-20	9.0	9.8	7.7	8.4	6.1	6.6
2020-21	10.0	10.0	8.6	8.6	6.7	6.7
2021-22	10.2	10.2	8.7	8.7	6.8	6.8
2022-23	10.4	10.4	8.9	8.9	6.9	6.9
2023-24	10.6	10.6	9.1	9.1	7.1	7.1

**Rental Car Surcharge**

GR	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2019-20	0.3	0.3	0.3	0.3	0.1	0.1
2020-21	0.3	0.3	0.3	0.3	0.1	0.1
2021-22	0.3	0.3	0.3	0.3	0.1	0.1
2022-23	0.3	0.3	0.3	0.3	0.1	0.1
2023-24	0.3	0.3	0.3	0.3	0.1	0.1

TRUST	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2019-20	3.1	3.7	2.6	3.1	2.0	2.4
2020-21	3.7	3.7	3.2	3.2	2.5	2.5
2021-22	3.8	3.8	3.3	3.3	2.5	2.5
2022-23	3.9	3.9	3.3	3.3	2.6	2.6
2023-24	4.0	4.0	3.4	3.4	2.6	2.6

## REVENUE ESTIMATING CONFERENCE

**Tax:** Ad Valorem

**Issue:** Construction or Industrial Equipment: Inventory

**Bill Number(s):** Proposed Language

**Entire Bill**

**Partial Bill:**

**Sponsor(s):**

**Month/Year Impact Begins:** July 1, 2019

**Date of Analysis:** April 12, 2019

### Section 1: Narrative

#### a. Current Law:

Section 4, Article VII of the Florida Constitution provides (in part): "Taxation; assessments. —By general law regulations shall be prescribed which shall secure a just valuation of all property for ad valorem taxation, provided:

"(c) Pursuant to general law tangible personal property held for sale as stock in trade and livestock may be valued for taxation at a specified percentage of its value, may be classified for tax purposes, or may be exempted from taxation."

S. 192.001(11)(c), F.S., defines inventory. It reads "(c)1. 'Inventory' means only those chattels consisting of items commonly referred to as goods, wares, and merchandise (as well as inventory) which are held for sale or lease to customers in the ordinary course of business. Supplies and raw materials shall be considered to be inventory only to the extent that they are acquired for sale or lease to customers in the ordinary course of business or will physically become a part of merchandise intended for sale or lease to customers in the ordinary course of business. Partially finished products which when completed will be held for sale or lease to customers in the ordinary course of business shall be deemed items of inventory. All livestock shall be considered inventory. Items of inventory held for lease to customers in the ordinary course of business, rather than for sale, shall be deemed inventory only prior to the initial lease of such items. For the purposes of this section, fuels used in the production of electricity shall be considered inventory.

"2. 'Inventory' also means construction and agricultural equipment weighing 1,000 pounds or more that is returned to a dealership under a rent-to-purchase option and held for sale to customers in the ordinary course of business. This subparagraph may not be considered in determining whether property that is not construction and agricultural equipment weighing 1,000 pounds or more that is returned under a rent-to-purchase option is inventory under subparagraph 1."

S. 196.185, F.S., reads "Exemption of inventory. —All items of inventory are exempt from ad valorem taxation."

#### b. Proposed Change:

This language would add a third paragraph to s. 192.001(11), F.S. It states "3. Notwithstanding any provision in this section to the contrary, 'inventory', for all levies other than school district levies, also means construction equipment owned by a heavy equipment rental dealer for sale or short-term rental in the normal course of business on the annual assessment date. For the purposes of this chapter and chapter 196, the term 'heavy equipment rental dealer' means a person or entity principally engaged in the business of short term rental and sale of equipment described under 532412 of the North American Industry Classification System including attachments for the equipment or other ancillary equipment. As used in this subparagraph, the term 'short-term rental' means the rental of a dealer's heavy equipment rental property for a period of less than 365 days, or under an open ended contract, or under a contract with unlimited terms. The prior short-term rental of any construction or industrial equipment shall not disqualify such property from qualifying as inventory under this subsection following the term of such rental. Nothing in this section shall be construed to mean heavy equipment rented with an operator, shall be considered inventory."

### Section 2: Description of Data and Sources

2018 Final Tangible Personal Property (TPP) Rolls

Ad Valorem Assessments Revenue Estimating Conference, March 2019

Communications with various property appraiser's offices

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

This impact is based on the aggregated just and taxable values for specific NAICS codes on the 2018 final TPP rolls. The analysis primarily uses the value of TPP accounts classified under NAICS code 532412. While examining the rolls, seven accounts in one county were identified as having been misclassified under NAICS 237990 instead of 532412. The property appraiser's office is currently reviewing the codes assigned to these accounts. The seven accounts are included in the analysis.

**REVENUE ESTIMATING CONFERENCE**

**Tax:** Ad Valorem

**Issue:** Construction or Industrial Equipment: Inventory

**Bill Number(s):** Proposed Language

The just value of TPP is reported in two parts: leasehold improvements (JV\_LESE\_IMP) and furniture/fixtures/equipment (JV\_F\_F\_E). The total taxable value of the NAICS 532412 accounts was adjusted to exclude leasehold improvements. While 98.7% of the included just value was recorded as F/F/E on the rolls, a few counties erroneously classified all value for some or all accounts in this NAICS code as leasehold improvements. The proportion of F/F/E was increased by 1% to 99.7% of the included taxable value to correct for the error.

Under the assumption that owners of leased equipment currently assigned a related NAICS code would attempt to reclassify their equipment to NAICS 532412 to reduce their tax liability, the middle and high estimates have portions of code 532490 (Other Commercial and Industrial Machinery and Equipment Rental and Leasing) added to the impact estimate. The low estimate only includes NAICS 532412 (and the seven misclassified accounts). The middle estimate also includes 0.75% of NAICS 532490's F/F/E taxable value and the high estimate also includes 1.5%.

The 2018 taxable values are grown throughout the forecast period by the annual growth rate of the adopted TPP taxable value estimates from the most recent Ad Valorem REC. As the language limits the change to non-school levies, the fiscal impact was calculated with the 2018 effective statewide millage rate for non-school purposes.

This language is a committee amendment to proposed language that goes into effect July 1, 2019. The cash impacts begin in the 2020-2021 fiscal year.

**Section 4: Proposed Fiscal Impact**

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2019-20	\$ -	\$ (18.3 M)	\$ -	\$ (18.1 M)	\$ -	\$ (17.8 M)
2020-21	\$ (19.0 M)	\$ (19.0 M)	\$ (18.7 M)	\$ (18.7 M)	\$ (18.4 M)	\$ (18.4 M)
2021-22	\$ (19.5 M)	\$ (19.5 M)	\$ (19.2 M)	\$ (19.2 M)	\$ (18.9 M)	\$ (18.9 M)
2022-23	\$ (20.1 M)	\$ (20.1 M)	\$ (19.8 M)	\$ (19.8 M)	\$ (19.5 M)	\$ (19.5 M)
2023-24	\$ (20.7 M)	\$ (20.7 M)	\$ (20.4 M)	\$ (20.4 M)	\$ (20.1 M)	\$ (20.1 M)

**List of affected Trust Funds:** Ad Valorem

**Section 5: Consensus Estimate (Adopted: 04/12/2019): The Conference adopted the middle impact.**

	School		Non-School		Total Local/Other	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2019-20	0.0	0.0	0.0	(18.1)	0.0	(18.1)
2020-21	0.0	0.0	(18.7)	(18.7)	(18.7)	(18.7)
2021-22	0.0	0.0	(19.2)	(19.2)	(19.2)	(19.2)
2022-23	0.0	0.0	(19.8)	(19.8)	(19.8)	(19.8)
2023-24	0.0	0.0	(20.4)	(20.4)	(20.4)	(20.4)

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2019-20	0.0	0.0	0.0	0.0	0.0	(18.1)	0.0	(18.1)
2020-21	0.0	0.0	0.0	0.0	(18.7)	(18.7)	(18.7)	(18.7)
2021-22	0.0	0.0	0.0	0.0	(19.2)	(19.2)	(19.2)	(19.2)
2022-23	0.0	0.0	0.0	0.0	(19.8)	(19.8)	(19.8)	(19.8)
2023-24	0.0	0.0	0.0	0.0	(20.4)	(20.4)	(20.4)	(20.4)

	A	B	C	D	E	F	G	H
1	<b>Impact Calculations</b>							
2								
3	<b>Taxable Value Aggregates</b>							
4								
5		- 2018F TPP rolls were aggregated by NAICS Code						
6		- Base calculation only includes TPP already classified as 532412.*						
7								
8		<b>NAICS_CODE</b>	<b>JV_F_F_E</b>	<b>JV_LESE_IMP</b>	<b>JV_TOTAL</b>	<b>AV_TOTAL</b>	<b>EXMPT_VAL</b>	<b>TAX_VAL</b>
9		532412	1,691,373,249	23,052,476	1,714,425,725	1,714,425,725	195,839,964	1,518,585,761
10		237990*	67,804,355	16,202	67,820,557	67,820,557	150,093	67,670,464
11		532490	3,408,045,941	56,571,385	3,464,617,326	3,464,242,521	140,138,858	3,324,103,663
12		* This row includes seven accounts in Duval County that were assigned NAICS_CODE 237990 but are primarily engaged in activity belonging to 532412. The Duval PA's Office is reviewing their NAICS coding.						
13								
14	<b>Adjustments to exclude leasehold improvements</b>							
15								
16		- It was discovered while examining the rolls that some counties had Furniture/Fixtures/Equipment mis-classified as leasehold improvements.						
17		- The percent of value that is not leasehold improvements (i.e., that is F/F/E) is adjusted up by 1% to account for this.						
18								
19		<b>Basic Calculation</b>						
20		<b>NAICS_CODE</b>	<b>% of TPP not LESE_IMP on Rolls</b>	<b>Adjusted % of TPP not LESE_IMP</b>	<b>2018 TV for Relevant TPP</b>			
21		532412**	98.7%	99.7%	1,580,789,701			
22		** Includes both 532412 and the seven Duval accounts in 237990.						
23								

	A	B	C	D	E	F	G	H
24	<b>Add related NAICS that may be reclassified to receive exemption</b>							
25								
26		<b>NAICS_CODE</b>	<b>Adjusted % of TPP not LESE_IMP</b>	<b>2018 TV for Relevant TPP</b>				
27		532490	99.7%	3,312,648,205				
28								
29		<b>Estimate</b>	<b>% Reclassified</b>	<b>Other NAICS Added to Base Estimate</b>	<b>Base + Added Value</b>			
30		High	1.5%	49,689,723	1,630,479,424			
31		Middle	0.75%	24,844,862	1,605,634,563			
32		Low	0%	0	1,580,789,701			
33								
34	<b>Taxable Value Projections</b>							
35								
36					<b>TAXABLE VALUE ESTIMATES</b>			
37		<b>Roll Year</b>	<b>Projected Total TPP TV</b>	<b>Annual Growth</b>	<b>HIGH</b>	<b>MIDDLE</b>	<b>LOW</b>	
38		2018	125.34		1,630,479,424	1,605,634,563	1,580,789,701	
39		2019	130.35	4%	1,695,651,771	1,669,813,829	1,643,975,886	
40		2020	134.92	4%	1,755,100,398	1,728,356,592	1,701,612,785	
41		2021	138.96	3%	1,807,654,546	1,780,109,932	1,752,565,318	
42		2022	143.13	3%	1,861,899,793	1,833,528,602	1,805,157,411	
43		2023	147.43	3%	1,917,836,138	1,888,612,603	1,859,389,067	
44								



	A	B	C	D	E	F	G	H
45	<b>Fiscal Impact Calculation</b>							
46								
47		- Amended bill only applies to non-school levies.						
48								
49		2018 Statewide Millage Rate						
50		Non-School	10.8122					
51								
52		Tax Impact Estimates						
53		Roll Year	HIGH	MIDDLE	LOW			
54		2019	-18,333,726	-18,054,361	-17,774,996			
55		2020	-18,976,497	-18,687,337	-18,398,178			
56		2021	-19,544,722	-19,246,905	-18,949,087			
57		2022	-20,131,233	-19,824,478	-19,517,723			
58		2023	-20,736,028	-20,420,057	-20,104,086			
59								
60	<b>Impact Summary</b>							
61								
62		<b>Non-School Impact</b>						
63			High		Middle		Low	
64		Year	Cash	Recurring	Cash	Recurring	Cash	Recurring
65		2019-20	\$ -	\$ (18.3 M)	\$ -	\$ (18.1 M)	\$ -	\$ (17.8 M)
66		2020-21	\$ (19.0 M)	\$ (19.0 M)	\$ (18.7 M)	\$ (18.7 M)	\$ (18.4 M)	\$ (18.4 M)
67		2021-22	\$ (19.5 M)	\$ (19.5 M)	\$ (19.2 M)	\$ (19.2 M)	\$ (18.9 M)	\$ (18.9 M)
68		2022-23	\$ (20.1 M)	\$ (20.1 M)	\$ (19.8 M)	\$ (19.8 M)	\$ (19.5 M)	\$ (19.5 M)
69		2023-24	\$ (20.7 M)	\$ (20.7 M)	\$ (20.4 M)	\$ (20.4 M)	\$ (20.1 M)	\$ (20.1 M)

## REVENUE ESTIMATING CONFERENCE

**Tax:** Ad Valorem

**Issue:** Leased Property for Schools

**Bill Number(s):** Proposed Language

**Entire Bill**

**Partial Bill:**

**Sponsor(s):**

**Month/Year Impact Begins:** January 1, 2020

**Date of Analysis:** April 12, 2019

### Section 1: Narrative

#### a. Current Law:

Section 196.198, Florida Statutes, provides an exemption for educational property. It reads "Educational property exemption.—Educational institutions within this state and their property used by them or by any other exempt entity or educational institution exclusively for educational purposes are exempt from taxation. Sheltered workshops providing rehabilitation and retraining of individuals who have disabilities and exempted by a certificate under s. (d) of the federal Fair Labor Standards Act of 1938, as amended, are declared wholly educational in purpose and are exempt from certification, accreditation, and membership requirements set forth in s. 196.012. Those portions of property of college fraternities and sororities certified by the president of the college or university to the appropriate property appraiser as being essential to the educational process are exempt from ad valorem taxation. The use of property by public fairs and expositions chartered by chapter 616 is presumed to be an educational use of such property and is exempt from ad valorem taxation to the extent of such use. Property used exclusively for educational purposes shall be deemed owned by an educational institution if the entity owning 100 percent of the educational institution is owned by the identical persons who own the property, or if the entity owning 100 percent of the educational institution and the entity owning the property are owned by the identical natural persons. Land, buildings, and other improvements to real property used exclusively for educational purposes shall be deemed owned by an educational institution if the entity owning 100 percent of the land is a nonprofit entity and the land is used, under a ground lease or other contractual arrangement, by an educational institution that owns the buildings and other improvements to the real property, is a nonprofit entity under s. 501(c)(3) of the Internal Revenue Code, and provides education limited to students in prekindergarten through grade 8. If legal title to property is held by a governmental agency that leases the property to a lessee, the property shall be deemed to be owned by the governmental agency and used exclusively for educational purposes if the governmental agency continues to use such property exclusively for educational purposes pursuant to a sublease or other contractual agreement with that lessee. If the title to land is held by the trustee of an irrevocable inter vivos trust and if the trust grantor owns 100 percent of the entity that owns an educational institution that is using the land exclusively for educational purposes, the land is deemed to be property owned by the educational institution for purposes of this exemption. Property owned by an educational institution shall be deemed to be used for an educational purpose if the institution has taken affirmative steps to prepare the property for educational use. The term 'affirmative steps' means environmental or land use permitting activities, creation of architectural plans or schematic drawings, land clearing or site preparation, construction or renovation activities, or other similar activities that demonstrate commitment of the property to an educational use."

S. 196.1983, F.S., exempts charter schools from ad valorem taxation. It reads "Any facility, or portion thereof, used to house a charter school whose charter has been approved by the sponsor and the governing board pursuant to s. 1002.33(7) shall be exempt from ad valorem taxes. For leasehold properties, the landlord must certify by affidavit to the charter school that the required payments under the lease, whether paid to the landlord or on behalf of the landlord to a third party, will be reduced to the extent of the exemption received. The owner of the property shall disclose to a charter school the full amount of the benefit derived from the exemption and the method for ensuring that the charter school receives such benefit. The charter school shall receive the full benefit derived from the exemption."

S. 196.199, F.S., exempts property owned and used by a government.

#### b. Proposed Change:

S. 196.199, F.S., is amended to add a new subsection (11), which reads "(11) Real property leased to a school district and used to house a K-12 public school is a public educational facility and shall be exempt from ad valorem taxation."

The proposed language first applies to the 2020 tax roll.

### Section 2: Description of Data and Sources

2018 Final Real Property Assessment Roll, Miami-Dade

Conversations with Miami-Dade Public Schools Facilities: Planning personnel

2017 adopted impact analysis, Proposed Language Charter Schools/Exemption Clarification, 4/21/2017

**REVENUE ESTIMATING CONFERENCE**

**Tax:** Ad Valorem

**Issue:** Leased Property for Schools

**Bill Number(s):** Proposed Language

Ad Valorem Assessments Revenue Estimating Conference, March 2019  
2018-19 FTE, Appropriated, Florida Department of Education

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

This analysis is largely based on information from Miami-Dade County Public Schools (M-DCPS) with adjustments made to account for an unknown amount of property in other school districts. There are two schools in Miami-Dade located on parcels owned by private entities and which do not have an ad valorem exemption. These schools are the Young Women’s Preparatory Academy (YWPA, situated on two parcels) and the Aventura Waterways Preparatory Academy (AWPA). The entirety of the parcels are leased to M-DCPS and used to house the schools.

The 2018 final taxable values for school and non-school purposes for these three parcels were aggregated and multiplied by the county-wide effective millage rates to calculate the 2018 impact on taxes levied. The 2018 impact was grown by the annual growth rate of the estimated statewide non-residential property taxable value adopted during the most recent Ad Valorem Assessments REC.

M-DCPS does lease portions of other parcels for educational purposes (e.g., classrooms, parent resource centers, migrant education program sites). These are often leased units in shopping centers. This analysis does not include a specific number or value for these leases. If this property should be included in the impact estimate, the annual impact for school and non-school can be adjusted by a percentage.

As this analysis is based entirely on property within Miami-Dade, statewide values are extrapolated by multiplying the single county’s impact. The low impact has a multiplication factor of 2. The high uses 20 and the middle estimate uses a multiplication factor of 8.14, which is the 2018-19 appropriated statewide FTE divided by Miami-Dade’s FTE student count.

The cash impact starts in 2020-21 as the language first applies to the 2020 assessments.

**Section 4: Proposed Fiscal Impact**

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2019-20	\$ -	\$ (4.1 M)	\$ -	\$ (1.7 M)	\$ -	\$ (0.4 M)
2020-21	\$ (4.3 M)	\$ (4.3 M)	\$ (1.8 M)	\$ (1.8 M)	\$ (0.4 M)	\$ (0.4 M)
2021-22	\$ (4.5 M)	\$ (4.5 M)	\$ (1.8 M)	\$ (1.8 M)	\$ (0.5 M)	\$ (0.5 M)
2022-23	\$ (4.8 M)	\$ (4.8 M)	\$ (1.9 M)	\$ (1.9 M)	\$ (0.5 M)	\$ (0.5 M)
2023-24	\$ (5.0 M)	\$ (5.0 M)	\$ (2.0 M)	\$ (2.0 M)	\$ (0.5 M)	\$ (0.5 M)

**List of affected Trust Funds:** Ad Valorem

**Section 5: Consensus Estimate (Adopted: 04/12/2019): The Conference adopted the low estimate.**

	School		Non-School		Total Local/Other	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2019-20	0.0	(0.1)	0.0	(0.3)	0.0	(0.4)
2020-21	(0.2)	(0.2)	(0.3)	(0.3)	(0.4)	(0.4)
2021-22	(0.2)	(0.2)	(0.3)	(0.3)	(0.5)	(0.5)
2022-23	(0.2)	(0.2)	(0.3)	(0.3)	(0.5)	(0.5)
2023-24	(0.2)	(0.2)	(0.3)	(0.3)	(0.5)	(0.5)

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2019-20	0.0	0.0	0.0	0.0	0.0	(0.4)	0.0	(0.4)
2020-21	0.0	0.0	0.0	0.0	(0.4)	(0.4)	(0.4)	(0.4)
2021-22	0.0	0.0	0.0	0.0	(0.5)	(0.5)	(0.5)	(0.5)
2022-23	0.0	0.0	0.0	0.0	(0.5)	(0.5)	(0.5)	(0.5)
2023-24	0.0	0.0	0.0	0.0	(0.5)	(0.5)	(0.5)	(0.5)

	A	B	C	D	E	F	G	H	I
1	<b>Impact Calculations</b>								
2									
3	<b>Known Parcels - Leased by School District, Non-Exempt</b>								
4									
5		School	PARCEL_ID	JV	TV_SD	TV_NSD			
6		YWPA	0141020053390	225,000	225,000	94,664			
7		YWPA	0141020053290	4,253,471	4,253,471	4,173,489			
8		AWPA	3012310150020	5,833,154	5,833,154	5,833,154			
9			Total	10,311,625	10,311,625	10,101,307			
10									
11	<b>Projection throughout Forecast Period</b>								
12									
13			Category	2018 Millage					
14			School	6.7330					
15			Non-School	12.0605					
16									
17					Prep Academy TV		Impact on Taxes Levied		
18		Roll Year	Non-Res TV Statewide Total	Annual Growth	School TV	Non-School TV	School	Non-School	Total
19		2018	473,064,999,241		10,311,625	10,101,307	-69,428	-121,827	-191,255
20		2019	504,106,001,958	6.56%	10,988,241	10,764,122	-73,984	-129,821	-203,805
21		2020	532,542,335,901	5.64%	11,608,081	11,371,320	-78,157	-137,144	-215,301
22		2021	560,571,707,982	5.26%	12,219,051	11,969,829	-82,271	-144,362	-226,633
23		2022	589,372,192,550	5.14%	12,846,829	12,584,802	-86,498	-151,779	-238,277
24		2023	618,678,650,180	4.97%	13,485,636	13,210,580	-90,799	-159,326	-250,125
25									

	A	B	C	D	E	F	G	H	I
26	<b>Additional Parcels - Miami Dade</b>								
27									
28	- Previous analysis included these 3 parcels (2017 PL Charter Schools/Exemption Clarification).								
29	- However, the Miami-Dade School District leases parts of shopping center parcels for school purposes.								
30	- These are used as annexes containing classrooms, parent resource centers, migrant education program, etc. The leased property is a portion of the entire parcel.								
31	- If this bill would not exempt this type of lease and use, the increase percentage should be zero.								
32									
33			School Base Impact			Non-School Base Impact			
34	Roll Year	Increase	Academies	Additional	Total	Academies	Additional	Total	
35	2018	0.00%	-69,428	0	-69,428	-121,827	0	-121,827	
36	2019	0.00%	-73,984	0	-73,984	-129,821	0	-129,821	
37	2020	0.00%	-78,157	0	-78,157	-137,144	0	-137,144	
38	2021	0.00%	-82,271	0	-82,271	-144,362	0	-144,362	
39	2022	0.00%	-86,498	0	-86,498	-151,779	0	-151,779	
40	2023	0.00%	-90,799	0	-90,799	-159,326	0	-159,326	
41									
42	<b>Impact Calculations</b>								
43									
44	- Other school districts may or may not be using a similar ownership/lease structure.								
45	- Multiplication factor is used against the total base impact to estimate the impact from other counties. The 2018-19 appropriated FTE for Miami-Dade is 349,654. The statewide FTE is 2,847,830.								
46									
47	Impact	Multiplication Factor							
48	HIGH	20							
49	MIDDLE	8.14							
50	LOW	2							
51									
52		School Impact			Non-School Impact				
53	Fiscal Year	HIGH	MIDDLE	LOW	HIGH	MIDDLE	LOW		
54	2019-20	-1,479,676	-602,228	-147,968	-2,596,414	-1,056,740	-259,641		
55	2020-21	-1,563,144	-636,200	-156,314	-2,742,876	-1,116,351	-274,288		
56	2021-22	-1,645,417	-669,685	-164,542	-2,887,242	-1,175,108	-288,724		
57	2022-23	-1,729,954	-704,091	-172,995	-3,035,580	-1,235,481	-303,558		
58	2023-24	-1,815,976	-739,102	-181,598	-3,186,524	-1,296,915	-318,652		
59									

	A	B	C	D	E	F	G	H	I
60	<b>Impact Summary</b>								
61									
62	<b>School Impact</b>								
63		High		Middle		Low			
64	Year	Cash	Recurring	Cash	Recurring	Cash	Recurring		
65	2019-20		\$ (1.5 M)		\$ (0.6 M)		\$ (0.1 M)		
66	2020-21	\$ (1.6 M)	\$ (1.6 M)	\$ (0.6 M)	\$ (0.6 M)	\$ (0.2 M)	\$ (0.2 M)		
67	2021-22	\$ (1.6 M)	\$ (1.6 M)	\$ (0.7 M)	\$ (0.7 M)	\$ (0.2 M)	\$ (0.2 M)		
68	2022-23	\$ (1.7 M)	\$ (1.7 M)	\$ (0.7 M)	\$ (0.7 M)	\$ (0.2 M)	\$ (0.2 M)		
69	2023-24	\$ (1.8 M)	\$ (1.8 M)	\$ (0.7 M)	\$ (0.7 M)	\$ (0.2 M)	\$ (0.2 M)		
70									
71	<b>Non-School Impact</b>								
72		High		Middle		Low			
73	Year	Cash	Recurring	Cash	Recurring	Cash	Recurring		
74	2019-20		\$ (2.6 M)		\$ (1.1 M)		\$ (0.3 M)		
75	2020-21	\$ (2.7 M)	\$ (2.7 M)	\$ (1.1 M)	\$ (1.1 M)	\$ (0.3 M)	\$ (0.3 M)		
76	2021-22	\$ (2.9 M)	\$ (2.9 M)	\$ (1.2 M)	\$ (1.2 M)	\$ (0.3 M)	\$ (0.3 M)		
77	2022-23	\$ (3.0 M)	\$ (3.0 M)	\$ (1.2 M)	\$ (1.2 M)	\$ (0.3 M)	\$ (0.3 M)		
78	2023-24	\$ (3.2 M)	\$ (3.2 M)	\$ (1.3 M)	\$ (1.3 M)	\$ (0.3 M)	\$ (0.3 M)		
79									
80	<b>Total Impact</b>								
81		High		Middle		Low			
82	Year	Cash	Recurring	Cash	Recurring	Cash	Recurring		
83	2019-20	\$ -	\$ (4.1 M)	\$ -	\$ (1.7 M)	\$ -	\$ (0.4 M)		
84	2020-21	\$ (4.3 M)	\$ (4.3 M)	\$ (1.8 M)	\$ (1.8 M)	\$ (0.4 M)	\$ (0.4 M)		
85	2021-22	\$ (4.5 M)	\$ (4.5 M)	\$ (1.8 M)	\$ (1.8 M)	\$ (0.5 M)	\$ (0.5 M)		
86	2022-23	\$ (4.8 M)	\$ (4.8 M)	\$ (1.9 M)	\$ (1.9 M)	\$ (0.5 M)	\$ (0.5 M)		
87	2023-24	\$ (5.0 M)	\$ (5.0 M)	\$ (2.0 M)	\$ (2.0 M)	\$ (0.5 M)	\$ (0.5 M)		

**REVENUE ESTIMATING CONFERENCE**

**Tax:** Corporate Income Tax

**Issue:** Extend only the Refund Mechanism Another One Year

**Bill Number(s):** Proposed Language

**Entire Bill**

**Partial Bill:**

**Sponsor(s):** N/A

**Month/Year Impact Begins:** Applies retroactively to January 1, 2019, affecting revenues in 2020-21

**Date of Analysis:** 4/11/2019

**Section 1: Narrative**

- a. Current Law:** Section 220.1105, Florida Statutes, provides for rate reduction and refunds if the net collections for 2018-19 exceed the amount of forecasted revenues for 2018-19 as forecast by the Revenue Estimating Conference on February 23, 2018 multiplied by 1.07. Any revenues that exceeded the forecast collection amount times 1.07% would be refunded to taxpayers in 2019-20. The tax rate for tax years beginning on or after January 1, 2019 would be reduced by the following factor: ((forecast collections as of 2/23/2018 x 1.07)/collections 2018-19) x 5.5%. The rate reduction was repealed for all tax years beginning January 1, 2020, returning the rate to 5.5% for all future years.
- b. Proposed Change:** Extends the refund provision to also apply to 2019-20 collections compared to the February 23, 2018 REC estimate. Provides that refunds issued due to receipts in 2018-19 exceeding the February 23, 2018 estimate times 1.07 are not included in determining whether the 2019-20 trigger is hit. This addresses the amount above and beyond 107% of the February 23, 2018 forecast for FY 2019-20, after the 2019 liability year rate reduction is addressed.
- c.**

**Section 2: Description of Data and Sources**

February 23, 2018 General Revenue Estimating Conference workpapers

March 14, 2019 General Revenue Estimating Conference workpapers

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

Simulated additional refunds based upon the specified trigger amounts and not including excess collection refunds in determining whether trigger is hit. If trigger is hit, measured the amount of additional refunds to be issued.

**Section 4: Proposed Fiscal Impact**

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2019-20			\$0	\$0		
2020-21			(\$87.6 M)	\$0		
2021-22			\$0	\$0		
2022-23			\$0	\$0		
2023-24			\$0	\$0		

**List of affected Trust Funds:**

**Section 5: Consensus Estimate (Adopted: 04/12/2019): The Conference adopted the proposed estimate.**

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2019-20	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2020-21	(87.6)	0.0	0.0	0.0	0.0	0.0	(87.6)	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
2023-24	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

	A	B	C	D	E	F	G	H	I	J	K
1	February 23, 2018 Corporate Income Tax Forecast										
2		Net Collections	Net collections * 1.07								
3	2019-20	\$2,185.50	\$2,338.49								
4	2020-21	\$2,234.40	\$2,390.81								
5	2021-22	\$2,288.00	\$2,448.16								
6	2022-23	\$2,359.50	\$2,524.67								
7											
8											
9	March 14, 2019 Corporate Income Tax Forecast										
10		Total Collections	Refunds	Unadjusted Net Collections	Excess collection from prior period refund	Effect of Rate Reduction on collections	Total forecast collections				
11	2016-17	\$2,366.4	\$193.9	\$2,172.5							
12	2017-18	\$2,413.0	\$230.0	\$2,183.0							
13	2018-19	\$2,754.8	\$262.7	\$2,492.1							
14	2019-20	\$2,816.1	\$268.5	\$2,547.6	\$166.3	\$121.5	\$2,259.8				
15	2020-21	\$2,856.7	\$272.5	\$2,584.2		\$57.8	\$2,526.4				
16	2021-22	\$2,919.8	\$268.6	\$2,651.2		\$3.0	\$2,648.2				
17	2022-23	\$3,001.9	\$276.2	\$2,725.7			\$2,725.7				
18	2023-24	\$3,074.5	\$282.9	\$2,791.6			\$2,791.6				
19											
20											
21	March 14, 2019 Corporate Income Tax Forecast										
22		Total Collections	Refunds	Unadjusted Net Collections	Excess collection from prior period refund	Effect of Rate Reduction on collections	Total forecast collections	Net Collections before excess collection refunds	Trigger Amount	Is Trigger hit?	Excess Collections refunds issued in 2020-21
23	2016-17	\$2,366.4	\$193.9	\$2,172.5							
24	2017-18	\$2,413.0	\$230.0	\$2,183.0							
25	2018-19	\$2,754.8	\$262.7	\$2,492.1							
26	2019-20	\$2,816.1	\$268.5	\$2,547.6	\$166.3	\$121.5	\$2,259.8	\$2,426.1	\$2,338.5	Yes	\$87.6
27	2020-21	\$2,856.7	\$272.5	\$2,584.2	\$87.6	\$57.8	\$2,438.8				
28	2021-22	\$2,919.8	\$268.6	\$2,651.2		\$3.0	\$2,648.2				
29	2022-23	\$3,001.9	\$276.2	\$2,725.7			\$2,725.7				
30	2023-24	\$3,074.5	\$282.9	\$2,791.6			\$2,791.6				
31											
32											
33		additional Refunds	Total Impact								
34	2019-20	0	0								
35	2020-21	-\$87.6	-\$87.6								
36	2021-22	\$0.0	\$0.0								
37	2022-23	0	0								
38	2023-24	0	0								



**REVENUE ESTIMATING CONFERENCE**

**Tax:** Corporate Income Tax

**Issue:** Extend only the Refund Mechanism Another Two Year

**Bill Number(s):** Proposed Language

**Entire Bill**

**Partial Bill:**

**Sponsor(s):** N/A

**Month/Year Impact Begins:** Applies retroactively to January 1, 2019, affecting revenues in 2020-21

**Date of Analysis:** 4/11/2019

**Section 1: Narrative**

- a. Current Law:** Section 220.1105, Florida Statutes, provides for rate reduction and refunds if the net collections for 2018-19 exceed the amount of forecasted revenues for 2018-19 as forecast by the Revenue Estimating Conference on February 23, 2018 multiplied by 1.07. Any revenues that exceeded the forecast collection amount times 1.07% would be refunded to taxpayers in 2019-20. The tax rate for tax years beginning on or after January 1, 2019 would be reduced by the following factor: ((forecast collections as of 2/23/2018 x 1.07)/collections 2018-19) x 5.5%. The rate reduction was repealed for all tax years beginning January 1, 2020, returning the rate to 5.5% for all future years.
- b. Proposed Change:** Extends the refund provision to also apply to FY 2019-20 and FY 2020-21 collections compared to the February 23, 2018 REC estimate. Provides that refunds issued due to receipts in FY 2018-19 or FY 2019-20 exceeding the February 23, 2018 estimate times 1.07 are not included in determining whether the 2019-20 trigger is hit. This addresses the amount above and beyond 107% of the February 23, 2018 forecast for FY 2019-20 and FY 2020-21, after the 2019 liability year rate reduction is addressed.

**Section 2: Description of Data and Sources**

February 23, 2018 General Revenue Estimating Conference workpapers

March 14, 2019 General Revenue Estimating Conference workpapers

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

Simulated additional refunds based upon the specified trigger amounts and not including excess collection refunds in determining whether trigger is hit. If trigger is hit, measured the amount of additional refunds to be issued.

**Section 4: Proposed Fiscal Impact**

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2019-20			\$0	\$0		
2020-21			(\$87.6 M)	\$0		
2021-22			(\$135.6 M)	\$0		
2022-23			\$0	\$0		
2023-24			\$0	\$0		

**List of affected Trust Funds:**

CIT Group

**Section 5: Consensus Estimate (Adopted: 04/12/2019): The Conference adopted the proposed estimate.**

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2019-20	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2020-21	(87.6)	0.0	0.0	0.0	0.0	0.0	(87.6)	0.0
2021-22	(135.6)	0.0	0.0	0.0	0.0	0.0	(135.6)	0.0
2022-23	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2023-24	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

	A	B	C	D	E	F	G	H	I	J	K	
1	February 23, 2018 Corporate Income Tax Forecast											
	Net collections *											
2	Net Collectio 1.07											
3	2019-20	\$2,185.50	\$2,338.49									
4	2020-21	\$2,234.40	\$2,390.81									
5	2021-22	\$2,288.00	\$2,448.16									
6	2022-23	\$2,359.50	\$2,524.67									
7												
8												
9	March 14, 2019 Corporate Income Tax Forecast											
				Unadjusted	Excess	Effect of Rate						
	Total		Net	collection	Reduction on	Total forecast						
10	Collections	Refunds	Collections	from prior	collections	collections						
11	2016-17	\$2,366.4	\$193.9	\$2,172.5								
12	2017-18	\$2,413.0	\$230.0	\$2,183.0								
13	2018-19	\$2,754.8	\$262.7	\$2,492.1								
14	2019-20	\$2,816.1	\$268.5	\$2,547.6	\$166.3	\$121.5	\$2,259.8					
15	2020-21	\$2,856.7	\$272.5	\$2,584.2		\$57.8	\$2,526.4					
16	2021-22	\$2,919.8	\$268.6	\$2,651.2		\$3.0	\$2,648.2					
17	2022-23	\$3,001.9	\$276.2	\$2,725.7			\$2,725.7					
18	2023-24	\$3,074.5	\$282.9	\$2,791.6			\$2,791.6					
19												
20												
21	March 14, 2019 Corporate Income Tax Forecast											
				Unadjusted	Excess	Effect of Rate		Net Collections			Excess	
	Total		Net	collection	Reduction on	Total forecast		before excess			Collections	
22	Collections	Refunds	Collections	from prior	collections	collections		collection	Trigger	Is Trigger	refunds issued in	
				period refund				refunds	Amount	hit?	2020-21	
23	2016-17	\$2,366.4	\$193.9	\$2,172.5								
24	2017-18	\$2,413.0	\$230.0	\$2,183.0								
25	2018-19	\$2,754.8	\$262.7	\$2,492.1								
26	2019-20	\$2,816.1	\$268.5	\$2,547.6	\$166.3	\$121.5	\$2,259.8	\$2,426.1	\$2,338.49	Yes	\$87.61	
27	2020-21	\$2,856.7	\$272.5	\$2,584.2	\$87.6	\$57.8	\$2,438.8	\$2,526.4	\$2,390.81		\$135.59	
28	2021-22	\$2,919.8	\$268.6	\$2,651.2	\$135.6	\$3.0	\$2,512.6					
29	2022-23	\$3,001.9	\$276.2	\$2,725.7			\$2,725.7					
30	2023-24	\$3,074.5	\$282.9	\$2,791.6			\$2,791.6					
31												
32												
33		additional Refunds	Total Impact									
34	2019-20	0	0									
35	2020-21	-\$87.6	-\$87.6									
36	2021-22	-\$135.6	-\$135.6									
37	2022-23	0	0									
38	2023-24	0	0									

**REVENUE ESTIMATING CONFERENCE**

**Tax:** Corporate Income Tax

**Issue:** Federal/State Deductions

**Bill Number(s):** Proposed Language

**Entire Bill**

**Partial Bill:**

**Sponsor(s):** N/A

**Month/Year Impact Begins:** July 2020

**Date of Analysis:** 4/11/2019

**Section 1: Narrative**

**a. Current Law:** Section 220.13(1)(b)2., Florida Statutes, provides: 2. There shall be subtracted from such taxable income any amount to the extent included therein the following:

- a. Dividends treated as received from sources without the United states, as determined under s. 862 of the Internal Revenue Code.
- b. All amounts included in taxable income under s. 78, or s. 951 of the Internal Revenue Code.

However, as to any amount subtracted under this subparagraph, there shall be added to such taxable income all expenses deducted on the taxpayer's return for the taxable year which are attributable, directly or indirectly, to such subtracted amount. Further, no amount shall be subtracted with respect to dividends paid or deemed paid by a Domestic International Sales Corporation.

**b. Proposed Change:** Section 220.13(1)(b)2., Florida Statutes, is amended to read: 2. There shall be subtracted from such taxable income any amount to the extent included therein the following:

- a. Dividends treated as received from sources without the United states, as determined under s. 862 of the Internal Revenue Code.
- b. All amounts included in taxable income under s. 78, or s. 951 of the Internal Revenue Code.

However, any amount subtracted under this subparagraph shall only be allowed to the extent such amount is not deductible in determining federal taxable income. As to any amount subtracted under this subparagraph, there shall be added to such taxable income all expenses deducted on the taxpayer's return for the taxable year which are attributable, directly or indirectly, to such subtracted amount. Further, no amount shall be subtracted with respect to dividends paid or deemed paid by a Domestic International Sales Corporation.

**Section 2: Description of Data and Sources**

**Section 3: Methodology (Include Assumptions and Attach Details)** The proposed language reflects the department's current administration. The language further clarifies "to the extent included therein" contained in subparagraph 2. of s. 220.13(1)(b)

**Section 4: Proposed Fiscal Impact**

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2019-20			\$0	\$0		
2020-21			\$0	\$0		
2021-22			\$0	\$0		
2022-23			\$0	\$0		
2023-24			\$0	\$0		

**List of affected Trust Funds:**

CIT Group

REVENUE ESTIMATING CONFERENCE

Tax: Corporate Income Tax

Issue: Federal/State Deductions

Bill Number(s): Proposed Language

Section 5: Consensus Estimate (Adopted: 04/12/2019): The Conference adopted the proposed estimate.

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
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
2023-24	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

**REVENUE ESTIMATING CONFERENCE**

**Tax:** Corporate Income Tax

**Issue:** Repeal the Rate Cut Mechanism & Extend Refund Mechanism Another Two Years

**Bill Number(s):** Proposed Language

**Entire Bill**

**Partial Bill:**

**Sponsor(s):** N/A

**Month/Year Impact Begins:** Applies retroactively to January 1, 2019, affecting revenues in 2020-21

**Date of Analysis:** 4/11/2019

**Section 1: Narrative**

**a. Current Law:** Section 220.1105, Florida Statutes, provides for rate reduction and refunds if the net collections for 2018-19 exceed the amount of forecasted revenues for 2018-19 as forecast by the Revenue Estimating Conference on February 23, 2018 multiplied by 1.07. Any revenues that exceeded the forecast collection amount times 1.07% would be refunded to taxpayers in 2019-20. The tax rate for tax years beginning on or after January 1, 2019 would be reduced by the following factor: ((forecast collections as of 2/23/2018 x 1.07)/collections 2018-19) x 5.5%. The rate reduction was repealed for all tax years beginning January 1, 2020, returning the rate to 5.5% for all future years.

**b. Proposed Change:** Extends the refund provision to also apply to 2019-20 and 2020-21 collections compared to the February 23, 2018 REC estimate. Provides that refunds issued due to receipts in 2018-19 exceeding the February 23, 2018 estimate times 1.07 are not included in determining whether the 2019-20 or 2020-21 trigger is hit. Repeals Rate Reduction Mechanism for 2019 liability year. In lieu of this, it establishes further refunds based on net collections in FY 2019-20 and FY 2020-21.

**Section 2: Description of Data and Sources**

February 23, 2018 General Revenue Estimating Conference workpapers

March 14, 2019 General Revenue Estimating Conference workpapers

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

Simulated additional refunds based upon the specified trigger amounts and not including excess collection refunds in determining whether trigger is hit. If trigger is hit, measured the amount of additional refunds to be issued. Removed any impact from the rate reduction for 2019 liability.

**Section 4: Proposed Fiscal Impact**

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2019-20			\$121.5 M	\$0		
2020-21			(\$151.3 M)	\$0		
2021-22			(\$190.4 M)	\$0		
2022-23			\$0	\$0		
2023-24			\$0	\$0		

**List of affected Trust Funds:**

CIT Group

**Section 5: Consensus Estimate (Adopted: 04/12/2019): The Conference adopted the proposed estimate.**

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2019-20	121.5	0.0	0.0	0.0	0.0	0.0	121.5	0.0
2020-21	(151.3)	0.0	0.0	0.0	0.0	0.0	(151.3)	0.0
2021-22	(190.4)	0.0	0.0	0.0	0.0	0.0	(190.4)	0.0
2022-23	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2023-24	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Proposed Language - Repeal Rate Cut Mechanism Extend Refunds Another Two Years

	A	B	C	D	E	F	G	H	I	J	K	
1	February 23, 2018 Corporate Income Tax Forecast											
2			Forecast/ Net collections * 1.07	Simulated Collections								
3	2019-20	\$2,185.50	\$2,338.49									
4	2020-21	\$2,234.40	\$2,390.81									
5	2021-22	\$2,288.00	\$2,448.16									
6	2022-23	\$2,359.50	\$2,524.67									
7												
8												
9	March 14, 2019 Corporate Income Tax Forecast											
10				Unadjusted Net Collections	Excess collection from prior period refund	Effect of Rate Reduction on collections	Total forecast collections					
11	2016-17	\$2,366.4	\$193.9	\$2,172.5								
12	2017-18	\$2,413.0	\$230.0	\$2,183.0								
13	2018-19	\$2,754.8	\$262.7	\$2,492.1								
14	2019-20	\$2,816.1	\$268.5	\$2,547.6	\$166.3	\$121.5	\$2,259.8					
15	2020-21	\$2,856.7	\$272.5	\$2,584.2		\$57.8	\$2,526.4					
16	2021-22	\$2,919.8	\$268.6	\$2,651.2		\$3.0	\$2,648.2					
17	2022-23	\$3,001.9	\$276.2	\$2,725.7			\$2,725.7					
18	2023-24	\$3,074.5	\$282.9	\$2,791.6			\$2,791.6					
19												
20												
21	March 14, 2019 Corporate Income Tax Forecast											
22				Unadjusted Net Collections	Excess collection from prior period refund		Total forecast collections	Net Collections before excess collection refunds	Trigger Amount	Is Trigger hit?	Excess Collections refunds to be issued	
23	2016-17	\$2,366.4	\$193.9	\$2,172.5								
24	2017-18	\$2,413.0	\$230.0	\$2,183.0								
25	2018-19	\$2,754.8	\$262.7	\$2,492.1								
26	2019-20	\$2,816.1	\$268.5	\$2,547.6	\$166.3		\$2,381.3	\$2,547.6	\$2,338.5	Yes	\$209.1	
27	2020-21	\$2,856.7	\$272.5	\$2,584.2	\$209.1		\$2,375.1	\$2,584.2	\$2,390.8	Yes	\$193.4	
28	2021-22	\$2,919.8	\$268.6	\$2,651.2	\$193.4		\$2,457.8					
29	2022-23	\$3,001.9	\$276.2	\$2,725.7			\$2,725.7					
30	2023-24	\$3,074.5	\$282.9	\$2,791.6			\$2,791.6					
31												
32												
33		Repeal of Rate Cut Mechanism	additional Refunds	Total Impact								
34	2019-20	\$ 121.5		\$ 121.5								
35	2020-21	\$ 57.8	\$ (209.1)	\$ (151.3)								
36	2021-22	\$ 3.0	\$ (193.4)	\$ (190.4)								
37	2022-23	\$ -	\$ -	\$ -								
38	2023-24	\$ -	\$ -	\$ -								

## REVENUE ESTIMATING CONFERENCE

**Tax:** Local Taxes and Fees

**Issue:** Expands the definition of public bodies that are exempt from the Public Service Tax authorized pursuant to s. 166.231, F.S.

**Bill Number(s):** Proposed House Language

**Entire Bill**

**Partial Bill:**

**Sponsor(s):** House Ways and Means Committee

**Month/Year Impact Begins:** July 1, 2019

**Date of Analysis:** April 12, 2019

### Section 1: Narrative

#### a. Current Law:

##### Public Service Tax

Pursuant to s. 166.231(1), F.S., municipalities and charter counties may levy a public service tax on the purchase of electricity, metered natural gas, liquefied petroleum gas either metered or bottled, manufactured gas either metered or bottled, and water service. The tax is levied only upon purchases within the municipality or within the charter county's unincorporated area and cannot exceed 10 percent of the payments received by the seller of the taxable item. Services competitive with those listed above, as defined by ordinance, can be taxed on a comparable base at the same rates; however, the tax rate on fuel oil cannot exceed 4 cents per gallon. The tax proceeds are considered general revenue for the municipality or charter county.

All municipalities are eligible to levy the tax within the area of its tax jurisdiction. By virtue of a number of legal rulings in Florida case law, a charter county may levy the tax within the unincorporated area. The tax is collected by the seller of the taxable item from the purchaser at the time of payment. The seller of the service remits the taxes collected to the governing body in the manner prescribed by ordinance. At the discretion of the local taxing authority, the tax may be levied on a physical unit basis. Using this basis, the tax is levied as follows: electricity, number of kilowatt hours purchased; metered or bottled gas, number of cubic feet purchased; fuel oil and kerosene, number of gallons purchased; and water service, number of gallons purchased. A number of tax exemptions are specified in law.

##### H. Lee Moffitt Cancer Center and Research Institute

Section 1004.43, F.S., established the H. Lee Moffitt Cancer Center and Research Institute, a statewide resource for basic and clinical research and multidisciplinary approaches to patient care and provided that the Board of Trustees of the University of South Florida enter into a lease agreement for the utilization of the lands and facilities on the campus of the University of South Florida to be known as the H. Lee Moffitt Cancer Center and Research Institute, including all furnishings, equipment, and other items of tangible property used in the operation of such facilities, with a Florida not-for-profit corporation organized solely for the purpose of governing and operating the Institute.

Section 210.201, F.S., provided that the Board of Directors of the H. Lee Moffitt Cancer Center and Research Institute construct, furnish, and equip, and covenant to complete, the cancer research and clinical and related facilities of the H. Lee Moffitt Cancer Center and Research Institute with proceeds from the Cigarette Tax Collection Trust Fund pursuant to s. 210.20, F.S.

##### Florida Institute for Human and Machine Cognition

Section 1004.447, F.S., created a non-for-profit corporation known as the Florida Institute for Human and Machine Cognition, Inc., established at the University of West Florida. The Institute pioneers technologies aimed at leveraging and extending human capabilities, and current research areas include artificial intelligence, cognitive science, knowledge modeling and sharing, human interactions with autonomy, humanoid robotics, exoskeletons, advanced interfaces and displays, cybersecurity, communication and collaboration, linguistics and natural language processing, computer-mediated learning systems, intelligent data understanding, software agents, expertise studies, work practice simulation, knowledge representation, big data and machine learning.<sup>1</sup>

##### Shands Teaching Hospital and Clinics, Shands Jacksonville Medical Center, and Shands Jacksonville HealthCare

Section 1004.41, F.S., created the non-for-profit corporations known as Shands Teaching Hospital and Clinics, Inc., located on the Gainesville campus of the University of Florida, and Shands Jacksonville Medical Center, Inc., and its parent Shands Jacksonville HealthCare, Inc., located, in part, on the Jacksonville campus of the University of Florida. Their primary purpose is to

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<sup>1</sup> Florida Institute of Human & Machine Cognition, *The IHMC Story* at <https://www.ihmc.us/about/aboutihmc/> (last visited April 11, 2019).

## REVENUE ESTIMATING CONFERENCE

**Tax:** Local Taxes and Fees

**Issue:** Expands the definition of public bodies that are exempt from the Public Service Tax authorized pursuant to s. 166.231, F.S.

**Bill Number(s):** Proposed House Language

support the University's health affairs mission of community service and patient care, education and training of health professionals, and clinical research.

**b. Proposed Change:** The proposed language amends s. 166.231(5), F.S., as follows:

166.231 Municipalities; public service tax.—

(5) Purchases by the United States Government, this state, and all counties, school districts, and municipalities of the state, and by public bodies exempted by law or court order, are exempt from the tax authorized by this section. Public bodies exempted by law include a Florida not-for-profit corporation established by statute for the purpose of governing and operating a research institute as an instrumentality of the state. A municipality may exempt from the tax imposed by this section the purchase of taxable items by any other public body as defined in s. 1.01, or by a nonprofit corporation or cooperative association organized under chapter 617 which provides water utility services to no more than 13,500 equivalent residential units, ownership of which will revert to a political subdivision upon retirement of all outstanding indebtedness, and shall exempt purchases by any recognized church in this state for use exclusively for church purposes. The proposed change would take effect July 1, 2019.

On March 29, 2019, the Revenue Estimating Conference (REC) reviewed this issue and adopted (\$0.5) million for the cash and recurring impact for every year. However, the adopted impact was based on the assumption that the proposed language applied only to the Moffitt Cancer Center. Upon further review and research, it would seem that the exemption also applies to the following non-for-profit corporations: the Florida Institute for Human and Machine Cognition, Inc., Shands Teaching Hospital and Clinics, Inc., and Shands Jacksonville Medical Center, Inc., and its parent Shands Jacksonville HealthCare, Inc.

### Section 2: Description of Data and Sources

In a March 27, 2019 e-mail to EDR staff, the City of Tampa's Intergovernmental Relations Manager, made the following statement. *Pursuant to a voluntary annexation agreement between the City of Tampa and the University of South Florida (USF) (Resolution No. 7361-H, passed and adopted on February 7, 1985), USF and its campus direct support organizations were exempt from the Public Service Tax. During a TECO 2018 audit of electric PST, the City learned that Moffitt Cancer Center is no longer a USF direct support organization and thus no longer exempt.*

The Florida Department of Revenue (DOR) gathers Public Service Tax (PST) data from local governments imposing the tax and provides it to the public, via an online database linked below, and the Department depends on each taxing authority to ensure the information is accurate. Local governments who self-administer PST are not required to report tax levy information to the Department. However, if a self-administering local government shares this information with the Department, it appears in the database. The database contains the following information for each taxing entity: public service(s) taxed, tax rate, effective date, and local government contact information.<sup>2</sup>

According to the database, the following services / products are taxed by the City of Tampa.

1. Electricity: 10% (effective 10/1/1973).
2. Fuel Oil / Kerosene: \$0.04 cents per gallon (effective 12/3/1980).
3. Gas - Liquefied Petroleum (LP): 10% (effective 10/1/1973).
4. Gas - Manufactured: 10% (effective 10/1/1973).
5. Gas - Natural: 10% (effective 10/1/1973).
6. Water: 10% (effective 10/1/1973).

According to the database, the following services / products are taxed by the City of Pensacola.

1. Electricity: 10% (effective 8/27/1987).
2. Fuel Oil / Kerosene: \$0.04 cents per gallon (effective 8/27/1987).
3. Gas - Liquefied Petroleum (LP): 10% (effective 8/27/1987).
4. Gas - Manufactured: 10% (effective 8/27/1987).
5. Gas - Natural: 10% (effective 8/27/1987).
6. Water: 10% (effective 8/27/1987).

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<sup>2</sup> Florida Department of Revenue, *Municipal Public Service Tax*, at <http://floridarevenue.com/taxes/governments/Pages/mpst.aspx> (last visited April 11, 2019).



**REVENUE ESTIMATING CONFERENCE**

**Tax:** Local Taxes and Fees

**Issue:** Expands the definition of public bodies that are exempt from the Public Service Tax authorized pursuant to s. 166.231, F.S.

**Bill Number(s):** Proposed House Language

According to the database, the following services / products are taxed by the City of Gainesville.

1. Electricity: 10% (effective 1/1/1960).
2. Fuel Oil / Kerosene: \$0.04 cents per gallon (effective 1/1/1960).
3. Gas - Liquefied Petroleum (LP): 10% (effective 1/1/1960).
4. Gas - Manufactured: 10% (effective 1/1/1960).
5. Gas - Natural: 10% (effective 1/1/1960).
6. Water: 10% (effective 1/1/1960).

According to the database, the following services / products are taxed by the City of Jacksonville.

1. Electricity: 10% (effective 1/1/1971).
2. Fuel Oil / Kerosene: \$0.04 cents per gallon (effective 1/1/1972).
3. Gas - Liquefied Petroleum (LP): 10% (effective 1/1/1971).
4. Gas - Manufactured: 10% (effective 1/1/1971).
5. Gas - Natural: 10% (effective 1/1/1971).
6. Water: 10% (effective 1/1/1971).

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

EDR staff used data previously furnished by the City of Tampa and requested data from the cities of Gainesville, Jacksonville, and Pensacola, and the Jacksonville Electric Authority (JEA). See attached spreadsheet.

**Section 4: Proposed Fiscal Impact (Millions)**

*Based on data received from the cities of Tampa and Gainesville and the Jacksonville Electric Authority (JEA), EDR staff is proposing (\$1.1) million cash and recurring impacts for every year, which reflect estimated revenue losses to the cities of Tampa, Gainesville, and Jacksonville. Since no data was received from the City of Pensacola, this proposal excludes any potential revenue loss resulting from the Public Service Tax exemption being granted to the Florida Institute of Human and Machine Cognition.*

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2019-20					(\$1.1)	(\$1.1)
2020-21					(\$1.1)	(\$1.1)
2021-22					(\$1.1)	(\$1.1)
2022-23					(\$1.1)	(\$1.1)
2023-24					(\$1.1)	(\$1.1)

**List of Affected Trust Funds:** Local funds

**Section 5: Consensus Estimate (Adopted: 04/12/2019):** The Conference adopted the low estimate. The Conference assumes the language includes Shands Teaching Hospitals.

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2019-20	0.0	0.0	0.0	0.0	(1.1)	(1.1)	(1.1)	(1.1)
2020-21	0.0	0.0	0.0	0.0	(1.1)	(1.1)	(1.1)	(1.1)
2021-22	0.0	0.0	0.0	0.0	(1.1)	(1.1)	(1.1)	(1.1)
2022-23	0.0	0.0	0.0	0.0	(1.1)	(1.1)	(1.1)	(1.1)
2023-24	0.0	0.0	0.0	0.0	(1.1)	(1.1)	(1.1)	(1.1)

	A	B	C	D	E	F	G
1	<b>Proposed House Language</b>						
2	<b>Public Service Tax - Public Bodies Exemption</b>						
3							
4	<b>Moffitt Cancer Center</b>						
5	<b>Public Service Taxes Paid (Data Source: City of Tampa)</b>						
6	<b>Taxes Paid</b>	<b>Electricity &amp; Water</b>					
7	2018-19	\$ 479,265					
8							
9	<b>Hillsborough County Population Projections (Data Source: EDR)</b>						
10	<b>Year</b>	<b>Population</b>	<b>% Growth</b>				
11	2019	1,440,784					
12	2020	1,469,580	2.0%				
13	2021	1,497,849	1.9%				
14	2022	1,525,441	1.8%				
15	2023	1,552,357	1.8%				
16	2024	1,578,599	1.7%				
17							
18	<b>Estimated Loss of Public Service Tax Revenue - City of Tampa</b>						
19	<b>Fiscal Year</b>	<b>Electricity &amp; Water</b>					
20	2019-20	\$ (488,844)					
21	2020-21	\$ (498,247)					
22	2021-22	\$ (507,425)					
23	2022-23	\$ (516,379)					
24	2023-24	\$ (525,108)					
25							
26	<b>Florida Institute for Human and Machine Cognition</b>						
27	<b>Public Service Taxes Paid (Data Source: )</b>						
28	<b>Taxes Paid</b>	<b>Total</b>					
29	2017-18						
30							
31	<b>Escambia County Population Projections (Data Source: EDR)</b>						
32	<b>Year</b>	<b>Population</b>	<b>% Growth</b>				
33	2018	316,504					
34	2019	318,511	0.6%				
35	2020	320,293	0.6%				
36	2021	322,208	0.6%				
37	2022	324,258	0.6%				
38	2023	326,354	0.6%				
39	2024	328,408	0.6%				
40							
41	<b>Estimated Loss of Public Service Tax Revenue - City of Pensacola</b>						
42	<b>Fiscal Year</b>	<b>Total</b>					
43	2018-19	\$ -					
44	2019-20	\$ -					
45	2020-21	\$ -					
46	2021-22	\$ -					
47	2022-23	\$ -					
48	2023-24	\$ -					
49							

	A	B	C	D	E	F	G
1	<b>Proposed House Language</b>						
2	<b>Public Service Tax - Public Bodies Exemption</b>						
3							
50	<b>University of Florida Health - Gainesville</b>						
51	<b>Public Service Taxes Paid (Data Source: City of Gainesville)</b>						
52	<b>Taxes Paid</b>	<b>Total</b>					
53	2017-18	\$ 257,000					
54							
55	<b>Alachua County Population Projections (Data Source: EDR)</b>						
56	<b>Year</b>	<b>Population</b>	<b>% Growth</b>				
57	2018	263,101					
58	2019	265,604	1.0%				
59	2020	267,950	0.9%				
60	2021	270,314	0.9%				
61	2022	272,706	0.9%				
62	2023	275,094	0.9%				
63	2024	277,445	0.9%				
64							
65	<b>Estimated Loss of Public Service Tax Revenue - City of Gainesville</b>						
66	<b>Fiscal Year</b>	<b>Total</b>					
67	2018-19	\$ (259,445)					
68	2019-20	\$ (261,737)					
69	2020-21	\$ (264,046)					
70	2021-22	\$ (266,382)					
71	2022-23	\$ (268,715)					
72	2023-24	\$ (271,011)					
73							
74	<b>University of Florida Health - Jacksonville</b>						
75	<b>Public Service Taxes Paid (Data Source: Jacksonville Electric Authority - JEA)</b>						
76	<b>Taxes Paid</b>	<b>Electricity &amp; Water</b>					
77	2017-18	\$ 293,960					
78							
79	<b>Duval County Population Projections (Data Source: EDR)</b>						
80	<b>Year</b>	<b>Population</b>	<b>% Growth</b>				
81	2018	950,991					
82	2019	965,108	1.5%				
83	2020	979,426	1.5%				
84	2021	993,219	1.4%				
85	2022	1,006,356	1.3%				
86	2023	1,018,855	1.2%				
87	2024	1,030,734	1.2%				
88							
89	<b>Estimated Loss of Public Service Tax Revenue - City of Jacksonville</b>						
90	<b>Fiscal Year</b>	<b>Electricity &amp; Water</b>					
91	2018-19	\$ (298,324)					
92	2019-20	\$ (302,750)					
93	2020-21	\$ (307,013)					
94	2021-22	\$ (311,074)					
95	2022-23	\$ (314,937)					
96	2023-24	\$ (318,609)					

	A	B	C	D	E	F	G
1	<b>Proposed House Language</b>						
2	<b>Public Service Tax - Public Bodies Exemption</b>						
3							
97							
98	<b>Estimated Local Fiscal Impact</b>						
99	<b>Fiscal Year</b>	<b>Tampa</b>	<b>Pensacola</b>	<b>Gainesville</b>	<b>Jacksonville</b>	<b>Total</b>	
100	2019-20	\$ (488,844)	\$ -	\$ (261,737)	\$ (302,750)	\$ (1,053,330)	
101	2020-21	\$ (498,247)	\$ -	\$ (264,046)	\$ (307,013)	\$ (1,069,306)	
102	2021-22	\$ (507,425)	\$ -	\$ (266,382)	\$ (311,074)	\$ (1,084,882)	
103	2022-23	\$ (516,379)	\$ -	\$ (268,715)	\$ (314,937)	\$ (1,100,031)	
104	2023-24	\$ (525,108)	\$ -	\$ (271,011)	\$ (318,609)	\$ (1,114,729)	

## REVENUE ESTIMATING CONFERENCE

**Tax:** Cigarette Tax

**Issue:** Use of Regulated Substances – Raise MLA from 18-21

**Bill Number(s):** HB 7119

**Entire Bill**

**Partial Bill:**

**Sponsor(s):** Representative Duran

**Month/Year Impact Begins:** October 1, 2019

**Date of Analysis:** April 8, 2019

### Section 1: Narrative

**a. Current Law:** Allows the sale, distribution and delivery of tobacco products to persons over the age of 18. Allows a qualified physician to issue a certification for marijuana to persons over the age of 18 with qualifications. Restricts persons under the age of 18 from smoking in, on or within 1,000 feet of school properties during certain hours. Current law prohibits gifting sample tobacco products or providing tobacco products in other ways to persons under the age of 18 and establishes that it is unlawful for persons to misrepresent their ages or military standings to gain access to tobacco products. The unlawful sale and possession of tobacco products to any person under the age of 18 includes nicotine products and nicotine dispensing devices as well. Current law also covers punitive action toward persons who supply minors or minors in possession of tobacco products.

**b. Proposed Change:**

HB 7119 changes the minimum legal age (MLA) of use for tobacco products and regulated substances from 18 to 21. Specifically, it creates s.163.085, F.S. that provides definitions and preempts the establishment of the minimum age for the sale or delivery of tobacco products, nicotine products, or nicotine dispensing devices to the state. This bill changes the minimum age for medical marijuana from 18 to 21, with some exceptions. It amends s. 210.095, F.S.; by deleting the term "adult" and amends s. 386.212, F.S. to provide that it is unlawful for persons under the age of 21 to smoke tobacco in, on, or within 1,000 feet of the real property comprising a public or private elementary, middle, or secondary school during specified hours.

HB 7119 amends s. 569.002, F.S.; to redefine the minimum age as 21 and to include emancipated minors and minors who had their disability of nonage removed under chapter 743. A minimum age of 21 effects 569.007, F.S.; the unlawful to sale or delivery of tobacco products; providing an exception, and to s. 569.0075, F.S.; the prohibition of certain entities from gifting sample tobacco products. Also amended to reflect the age increase to 21 are 569.008, F.S.; that denotes legislative intent and provisions to changes made by the act, and s. 569.101, F.S.; that makes it unlawful to sell, deliver, barter, furnish, or give tobacco products to underage persons.

HB 7119 amends s. 569.11, F.S.; to prohibit persons under 21 years of age from possessing tobacco products and establishing that it is unlawful for said persons to misrepresent their age or military service to acquire tobacco products.

S. 877.112, F.S. provides a definitions and exemptions for military reserve or active duty or for persons acting in the scope of his or her employment with a licensed entity. Finally, this bill prohibits the sale and possession of nicotine products or nicotine dispensing devices by persons under 21 years of age, and provides an effective date.

### Section 2: Description of Data and Sources

Bureau of Economic and Business Research (BEBR): Unpublished Data, *Florida Population by Age*, July 2018

Centers for Disease Control and Prevention (CDC): 2017 State Tobacco Activities Tracking, Florida, 2017

Institute of Medicine of the National Academics: *Public Health Implications of Raising the Minimum Age of Legal Access to Tobacco Products*, March 2015

Office of Economic and Demographic Research (EDR): Tobacco Tax and Surcharge Conference, February 2019

United States Census Bureau: *American Community Survey*, PUMS Data, 2017

U.S. Food and Drug Administration (FDA): *National Youth Tobacco Survey*, 2018

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

In the State of Florida, Cigarette Tax applies to cigarettes and bidis and OTP Tax includes smokeless tobacco, hookah and pipe tobacco. Neither e-cigarettes nor cigars fall under Cigarette Tax or OTP Tax.

## REVENUE ESTIMATING CONFERENCE

**Tax:** Cigarette Tax

**Issue:** Use of Regulated Substances – Raise MLA from 18-21

**Bill Number(s):** HB 7119

States that have raised the MLA for tobacco to 21 include:

- Hawaii, 2016
- California, 2016
- New Jersey, 2017
- Maine, 2018
- Oregon, 2018
- Massachusetts, 2018
- Arkansas, 5/1/2019
- Illinois, 7/1/2019
- Virginia, 7/1/2019
- Washington, 1/1/2020
- Utah, 7/1/2021

States that currently have a minimum age of 19 include Alaska, Alabama and Utah. Many states have local ordinances that have increased the MLA. In January 2019, Alachua County (population 263,291) became the first and only Florida County to raise the minimum age for purchasing tobacco from 18 to 21.

### National Youth Tobacco Survey (NYTS) 2018 Questionnaire Questions:

11. During the past 30 days, on how many days did you smoke cigarettes?

- A. 0 days
- B. 1 or 2 days
- C. 3 to 5 days
- D. 6 to 9 days
- E. 10 to 19 days
- F. 20 to 29 days
- G. All 30 days

12. During the past 30 days, on the days you smoked, about how many cigarettes did you smoke per day?

- A. I did not smoke cigarettes during the past 30 days
- B. Less than 1 cigarette per day
- C. 1 cigarette per day
- D. 2 to 5 cigarettes per day
- E. 6 to 10 cigarettes per day
- F. 11 to 20 cigarettes per day
- G. More than 20 cigarettes per day

26. During the past 30 days, on how many days did you use chewing tobacco, snuff, or dip?

- A. 0 days
- B. 1 or 2 days
- C. 3 to 5 days
- D. 6 to 9 days
- E. 10 to 19 days
- F. 20 to 29 days
- G. All 30 days

41. During the past 30 days, on how many days did you smoke tobacco in a hookah or waterpipe?

- A. 0 days
- B. 1 or 2 days
- C. 3 to 5 days
- D. 6 to 9 days
- E. 10 to 19 days
- F. 20 to 29 days
- G. All 30 days

**REVENUE ESTIMATING CONFERENCE**

**Tax:** Cigarette Tax

**Issue:** Use of Regulated Substances – Raise MLA from 18-21

**Bill Number(s):** HB 7119

Currently, punitive actions toward underage smoking are less severe than are those for underage drinking. For example, an offense for underage smoking is noncriminal and comes with a civil charge: mandatory participation in an anti-tobacco education program and a fine or community service. After multiple violations, a minor may have his or her driver license suspended or revoked. In contrast, underage drinking is punishable by the suspension or revocation of a driver license upon the first offense. If a minor misrepresents his or her age, it is a 2<sup>nd</sup> degree misdemeanor including suspension or revocation of a driver license and hours toward a community work project.

There is a possible negative impact on sales tax collected on nicotine dispensing devices. This analysis only focuses on the impact on Tobacco Tax and Surcharge. In 2010, the REC assumed that 10% of pipe tobacco expenditures could be a proxy for spending on pipes (devices).

There is an effective date of October 1, 2019. The impact assumes a first year’s cash impact of 8/12ths.

**Section 4: Proposed Fiscal Impact**

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2019-20			(1.1)	(1.6)		
2020-21			(2.7)	(2.7)		
2021-22			(3.7)	(3.7)		
2022-23			(5.2)	(5.2)		
2023-24			(5.8)	(5.8)		

**List of affected Trust Funds:** Tobacco Tax and Surcharge

**Section 5: Consensus Estimate (Adopted: 04/12/2019) - REVISED:** The Conference adopted a modified estimate that reduces the step up to 12% reduction for 18-20 years olds. The Conference used the last year’s 12% reduction assumptions for the recurring impact.

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2019-20	(0.3)	(1.1)	(0.8)	(2.8)	(Insignificant)	(Insignificant)	(1.1)	(3.9)
2020-21	(0.6)	(1.1)	(1.7)	(2.8)	(Insignificant)	(Insignificant)	(2.3)	(3.9)
2021-22	(0.9)	(1.1)	(2.2)	(2.8)	(Insignificant)	(Insignificant)	(3.1)	(3.9)
2022-23	(1.1)	(1.1)	(2.8)	(2.8)	(Insignificant)	(Insignificant)	(3.9)	(3.9)
2023-24	(1.1)	(1.1)	(2.8)	(2.8)	(Insignificant)	(Insignificant)	(3.9)	(3.9)

**Local Governments in Florida with a raised minimum age of 21**

Government	Population	% of State Pop
Alachua	263,291	1.26%

**American Community Survey PUMS data - 2017**

Active Duty/Reserves -			
Age	FL	Population	% of Population
17	52	244,236	0.02%
18	2,239	259,457	0.86%
19	3,743	237,253	1.58%
20	5,099	266,943	1.91%
	<b>11,133</b>	<b>1,007,889</b>	<b>1.10%</b>

1.45%	<b>18 - 20</b>
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**Institute of Medicine of the National Academies, *Public Health Implications of Raising the Minimum Age of Legal Access to Tobacco Products* -March 2015**

Most impacted age group 15-17

Reduces the social sources of those in high school.

A 12% decrease in tobacco use by the time a teenager reaches adulthood if MLA (minimum age of legal access) was raised to 21.



## Tobacco Use by Age

Source: CDC - 2017 State Tobacco Activities Tracking - Florida

<b>Cigarettes</b>							
		<i>Adult Users</i>	<i>Pop. (Apr -2017)</i>	<i>Alachua</i>	<i>Military</i>	<i>Total Users</i>	<i>% of Total</i>
<i>CDC Data</i>	<i>18-24</i>	<i>11.40%</i>					
Assumption	18-20	11.40%	717,363	-1.26%	-1.45%	79,562	2.9%
Assumption	21-24	11.40%	1,010,126			115,154	4.2%
CDC Data	25-44	20.10%	5,013,881			1,007,790	37.2%
CDC Data	45-64	18.30%	5,470,271			1,001,060	36.9%
CDC Data	65 and older	10.40%	4,202,432			437,053	16.1%
<i>Youth</i>							
	Middle School (12-13)	2.50%	679,439	-1.26%		16,772	0.6%
	High School (14-17)	5.70%	928,268	-1.26%	-0.02%	52,234	1.9%

<b>e-Cigarettes</b>							
		<i>Adult Users</i>	<i>Pop. (Apr -2017)</i>	<i>Alachua</i>	<i>Military</i>	<i>Total Users</i>	
<i>CDC Data</i>	<i>18-24</i>	<i>8.80%</i>					
Assumption	18-20	8.80%	717,363	-1.26%	-1.45%	61,417	7.0%
Assumption	21-24	8.80%	1,010,126			88,891	10.2%
CDC Data	25-44	5.60%	5,013,881			280,777	32.2%
CDC Data	45-64	4.10%	5,470,271			224,281	25.7%
CDC Data	65 and older	1.40%	4,202,432			58,834	6.7%
<i>Youth</i>							
	Middle School (12-13)	5.60%	679,439	-1.26%		37,569	4.3%
	High School (14-17)	13.20%	928,268	-1.26%	-0.02%	120,963	13.9%

<b>Smokeless Tobacco</b>							
		<i>Adult Users</i>	<i>Pop. (Apr -2017)</i>	<i>Alachua</i>	<i>Military</i>	<i>Total Users</i>	
<i>CDC Data</i>	<i>18-24</i>	<i>2.50%</i>					
Assumption	18-20	2.50%	717,363	-1.26%	-1.45%	17,448	3.3%
Assumption	21-24	2.50%	1,010,126			25,253	4.7%
CDC Data	25-44	3.00%	5,013,881			150,416	28.2%
CDC Data	45-64	3.50%	5,470,271			191,459	35.9%
CDC Data	65 and older	1.60%	4,202,432			67,239	12.6%
<i>Youth</i>							
	Middle School (12-13)	No data	679,439	-1.26%		16,772	3.1%
	High School (14-17)	7.10%	928,268	-1.26%	-0.02%	65,063	12.2%

Used Cigarettes as proxy

## Consumption

*2018 National  
Youth Tobacco  
Survey*

	<b>Avg. # of Days Cigs Smoked last 30 days</b>	<b>Average Number of Cigs Per Day</b>	<b>Chewing Tobacco, Snuff, or Dip - days used last 30 days</b>	<b>Hookah or Waterpipe - days used last 30 days</b>
12 years old	5.4	2.5	5.2	4.0
13 years old	7.2	3.6	7.1	10.4
14 years old	8.3	3.9	9.4	8.8
15 years old	8.1	3.9	12.1	7.7
16 years old	11.6	4.8	13.3	10.1
17 years old	10.4	3.8	14.0	8.9
18 years old	11.1	4.3	15.5	9.5
19 years old	16.9	9.3	20.0	18.0

*Note - This is a middle school and high school survey.*

	<b>Cigarettes per Month</b>	<b>Chewing Tobacco days used last 30 days</b>	<b>Hookah or Waterpipe - days used last 30 days</b>
Middle School (12-13)	19.81	6.14	7.18
High School (14-17)	39.71	12.21	8.88
18-20	102.02	17.78	13.75

## Reduction Factor

	<b>Cigarettes</b>	<b>Other Tobacco</b>		<b>Other Tobacco Combined</b>
		<b>Chewing Tobacco</b>	<b>Hookah or Waterpipe</b>	
Middle School (12-13)	19.4%	34.5%	52.2%	42.3%
High School (14-17)	38.9%	68.7%	64.6%	66.9%
18-20	100.0%	100.0%	100.0%	100.0%

**Reduction in Middle School, High School and 18-20 Tobacco Use as a Result of Raising MLA from 18 to 21**

	<b>Percent of Total Smokers - Cigarettes</b>	<b>Percent of Total - Other Tobacco Users</b>	<b>Consumption Reduction - Cigarettes</b>	<b>Consumption Reduction - Other Tobacco</b>
Middle School (12-13)	0.6%	3.1%	19.4%	42.3%
High School (14-17)	1.9%	12.2%	38.9%	66.9%
18-20	2.9%	3.3%	100.0%	100.0%

<b>Step up to 12% Reduction (assumptions)</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
Middle School (12-13)	6.0%	8.0%	10.0%	12.0%	12.0%
High School (14-17)	4.0%	6.0%	8.0%	12.0%	12.0%
18-20	2.0%	4.0%	6.0%	8.0%	10.0%
18-20 ADOPTED	2.0%	3.0%	4.0%	4.0%	4.0%

<b>Collections (REC 02/19)</b>	<b>FY 2019-20</b>	<b>FY 2020-21</b>	<b>FY 2021-22</b>	<b>FY 2022-23</b>	<b>FY 2023-24</b>
Cigarette Tax (Net)	249.6	245.3	241.0	236.7	232.6
Cigarette Surcharge	746.9	733.9	721.0	708.4	695.9
OTP Total Revenue	131.4	135.1	138.1	140.8	143.6

<b>Reduction in Collections</b>	<b>FY 2019-20</b>	<b>FY 2020-21</b>	<b>FY 2021-22</b>	<b>FY 2022-23</b>	<b>FY 2023-24</b>
Cigarette Tax (Net)	\$ (0.2)	\$ (0.4)	\$ (0.5)	\$ (0.5)	\$ (0.5)
Cigarette Surcharge	\$ (0.7)	\$ (1.0)	\$ (1.4)	\$ (1.6)	\$ (1.5)
OTP Total Revenue	\$ (0.6)	\$ (0.9)	\$ (1.3)	\$ (1.8)	\$ (1.8)
<b>CASH Total</b>	<b>\$ (1.6)</b>	<b>\$ (2.3)</b>	<b>\$ (3.1)</b>	<b>\$ (3.9)</b>	<b>\$ (3.9)</b>
19-20 CASH (8/12)	\$ (1.1)				

**ADOPTED RECURRING**

<b>Reduction in Collections</b>	<b>FY 2019-20</b>	<b>FY 2020-21</b>	<b>FY 2021-22</b>	<b>FY 2022-23</b>	<b>FY 2023-24</b>
Cigarette Tax (Net)	\$ (0.6)	\$ (0.5)	\$ (0.5)	\$ (0.5)	\$ (0.5)
Cigarette Surcharge	\$ (1.7)	\$ (1.6)	\$ (1.6)	\$ (1.6)	\$ (1.5)
OTP Total Revenue	\$ (1.7)	\$ (1.7)	\$ (1.8)	\$ (1.8)	\$ (1.8)
<b>Total</b>	<b>\$ (3.9)</b>	<b>\$ (3.9)</b>	<b>\$ (3.9)</b>	<b>\$ (3.9)</b>	<b>\$ (3.9)</b>