

INITIATIVE FINANCIAL INFORMATION STATEMENT

Initiative requiring legislative determination that sales tax exemptions serve a public purpose

SUMMARY OF INITIATIVE FINANCIAL INFORMATION STATEMENT

This amendment requires the legislature to periodically review most existing and all future exemptions from the sales tax. Any exemptions subject to review and not reenacted and continued by the legislature are repealed. Also, the legislature must make a determination that the exemptions reenacted and continued advance or serve a public purpose.

The probable impact of the amendment on state and local government revenues is dependent on future actions of the legislature and cannot be determined. It is not known whether the legislature will continue any exemption after it is reviewed. If all exemptions are continued, state and local revenues will not be affected. If one or more exemptions are not continued, then state and local governments will receive more revenue.

The estimated value of the sales tax exemptions subject to the initial review is substantial. Based on the information contained in the *2005 Florida Tax Handbook*, the Financial Impact Estimating Conference (FIEC) determined that the potential value of the sales tax exemptions initially subject to review might exceed \$8 billion. However, this figure includes estimates of exemptions from the use tax, which may not be subject to review. The FIEC recognizes that the legislature and the courts may reach a different conclusion regarding which exemptions are subject to review.

Many of the exemptions identified by the FIEC as subject to review may be deemed by the legislature to serve a public purpose and reenacted.

Based on the information provided through public workshops and staff research, the FIEC expects that the proposed amendment will have the following financial effects:

State and Local Government Revenue Impacts – The impact on state and local government revenues cannot be determined at this time, as the impact will depend on future actions taken by the legislature.

State and Local Government Cost Impacts – Any impact on state or local government expenses is not expected to be significant.

FINANCIAL IMPACT STATEMENT

Although the value of sales tax exemptions subject to legislative review is substantial, the probable impact of the amendment on state and local government revenues is dependent upon future actions of the legislature and cannot be determined. If the legislature reenacts and continues all existing exemptions, state and local government revenues will not be affected. If the legislature does not reenact and continue one or more exemptions, state and local government revenues will increase.