

INITIATIVE FINANCIAL INFORMATION STATEMENT

Extending existing sales tax to non-taxed services where exclusion fails to serve public purpose

SUMMARY OF INITIATIVE FINANCIAL INFORMATION STATEMENT

The amendment requires the legislature to review each service rendered for compensation that is not taxed under the existing sales tax authorized in Chapter 212, Florida Statutes. Except for the payment of employee salaries and benefits, any service not exempted by the legislature will be subject to tax beginning on January 1, 2009. The legislature may only exempt from taxation those services whose exemption is determined to advance or serve a public service.

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 exempt any service from taxation. If the legislature exempts all services that are currently non-taxed, state and local government revenues will not be affected. If the legislature fails to exempt one or more services that are currently non-taxed, state and local government revenues will increase.

The estimated value of the non-taxed services subject to the 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 services subject to review might exceed \$19 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 services are subject to review.

Many of the non-taxed services identified by the FIEC as subject to review may be deemed by the legislature to serve a public purpose and exempted.

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 – There likely will be some additional state administrative costs associated with tax collection activities if some currently non-taxed services are taxed.

FINANCIAL IMPACT STATEMENT

Although state and local governments could potentially receive substantial revenue from non-taxed services subject to legislative review, the probable impact of the amendment is dependent upon future action of the legislature and cannot be determined. If the legislature exempts all services that are currently non-taxed, state and local government revenues will not be affected. If the legislature fails to exempt one or more services that are currently non-taxed, state and local government revenues will increase.