

## REVENUE ESTIMATING CONFERENCE

**Tax:** Ad Valorem

**Issue:** Homesteads/ Joint Tenants with Rights of Survivorship

**Bill Number(s):** [Proposed Language](#)

**Entire Bill**

**Partial Bill:**

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

**Month/Year Impact Begins:** Unknown – assumed impact begins effective the 2021 taxroll

**Date of Analysis:** 12/4/2019

### Section 1: Narrative

- a. Current Law:** Section 193.155 provides how homesteads will be assessed with respect Save our Homes assessment cap that limits assessment increases to the lower of 3% or the change in the consumer price index. Paragraph (3)(a) provides: Except as provided in this subsection or subsection (8), property assessed under this section shall be assessed at just value as of January 1 of the year following a change of ownership. Thereafter, the annual changes in the assessed value of the property are subject to the limitations in subsections (1) and (2). For the purpose of this section, a change of ownership means any sale, foreclosure, or transfer of legal title or beneficial title in equity to any person, except if:
1. Subsequent to the change or transfer, the same person is entitled to the homestead exemption as was previously entitled and:
    - a. The transfer of title is to correct an error;
    - b. The transfer is between legal and equitable title or equitable and equitable title and no additional person applies for a homestead exemption on the property;
    - c. The change or transfer is by means of an instrument in which the owner is listed as both grantor and grantee of the real property and one or more other individuals are additionally named as grantee. However, if any individual who is additionally named as a grantee applies for a homestead exemption on the property, the application is considered a change of ownership; or
    - d. The person is a lessee entitled to the homestead exemption under s. [196.041\(1\)](#).
  2. Legal or equitable title is changed or transferred between husband and wife, including a change or transfer to a surviving spouse or a transfer due to a dissolution of marriage;
  3. The transfer occurs by operation of law to the surviving spouse or minor child or children under s. [732.401](#); or
  4. Upon the death of the owner, the transfer is between the owner and another who is a permanent resident and who is legally or naturally dependent upon the owner.
- b. Proposed Change:** creates two additional provisions that describe transfers that are not treated as changes of ownership for purposes of retaining the cap. A new sub-subparagraph 193.155((3)(a)1.d. to read: The change or transfer is by means of an instrument where the owner entitled to homestead is listed as both grantor or grantee of the real property and one or more other individuals, all of whom held title as joint tenants with rights of survivorship with the owner, are named only as grantors and removed from the title; or

A new sub-sub paragraph 5. is created to read: The transfer occurs with respect to a property where:

- a. Multiple owners hold title as joint tenants with rights of survivorship; b. One or more owners were entitled to and received the homestead exemption on the property; c. death of one or more owners occurs; and d. Subsequent to the transfer, the surviving owner or owners previously entitled to and receiving the homestead continue to be entitled to and receive the homestead exemption.

### Section 2: Description of Data and Sources

Conversations with Property Appraisers and their representatives

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

It was conveyed both during direct and relayed conversations that certain counties today either currently administer as the proposed language provides, or allow the remaining owner that was entitled to the homestead exemption to maintain the save our homes cap through portability. For those counties that remove the cap and disallow the homestead but allow the remaining owner to reapply for homestead and port the cap back to the parcel, it is possible that a taxpayer ignores the notices and does not take action to reapply for homestead and to port the cap. For the low it is assumed that the proposed language is current administration for all counties and that any impacted homeowner would take steps necessary to reestablish their homestead exemption and Save our Homes cap. For the middle it is assumed that the proposed language is current administration for all counties but some affected

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party does not take the necessary action to reestablish their homestead and cap. For the high it is assumed that not all counties administer as the proposed law provides.

**Section 4: Proposed Fiscal Impact**

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2020-21	\$0	(Indeterminate)	\$0	(Insignificant)	\$0	\$0
2021-22	(Indeterminate)	(Indeterminate)	(Insignificant)	(Insignificant)	\$0	\$0
2022-23	(Indeterminate)	(Indeterminate)	(Insignificant)	(Insignificant)	\$0	\$0
2023-24	(Indeterminate)	(Indeterminate)	(Insignificant)	(Insignificant)	\$0	\$0
2024-25	(Indeterminate)	(Indeterminate)	(Insignificant)	(Insignificant)	\$0	\$0

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

**Section 5: Consensus Estimate (Adopted: 12/06/2019): The Conference adopted the middle estimate.**

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2020-21	0.0	0.0	0.0	0.0	0.0	(Insignificant)	0.0	0.0
2021-22	0.0	0.0	0.0	0.0	(Insignificant)	(Insignificant)	0.0	0.0
2022-23	0.0	0.0	0.0	0.0	(Insignificant)	(Insignificant)	0.0	0.0
2023-24	0.0	0.0	0.0	0.0	(Insignificant)	(Insignificant)	0.0	0.0
2024-25	0.0	0.0	0.0	0.0	(Insignificant)	(Insignificant)	0.0	0.0

**REVENUE ESTIMATING CONFERENCE**

**Tax:** Cigarette Tax

**Issue:** Increase Moffitt Cancer Center Distribution

**Bill Number(s):** SB494

**Entire Bill**

**Partial Bill:**

**Sponsor(s):** Senator Simpson

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

**Date of Analysis:** December 5, 2019

**Section 1: Narrative**

- a. **Current Law:** Beginning July 1, 2014, and continuing through June 30, 2033, the distribution to the H. Lee Moffitt Cancer Center is 4.04% of net cigarette tax collections each fiscal year, or 4.04% of net cigarette tax collections in Fiscal Year 2001-02, whichever is greater. For this purpose, net cigarette tax collections are defined as the cigarette tax imposed by s. 210.02, less the service charges provided for in s. 215.20 and less 0.9 percent of the amount derived from the cigarette tax imposed by s.210.02, which shall be deposited into the Alcohol Beverage and Tobacco Trust Fund. Because cigarette tax collections today are substantially lower than they were in Fiscal Year 2001-02, the Moffitt distribution is currently forecasted to be a flat \$15.6 million each fiscal year, which is equal to the amount it would have been in Fiscal Year 2001-02. After all distributions from the cigarette tax are made, the remainder goes to General Revenue.
- b. **Proposed Change:** Beginning July 1, 2020, and continuing through June 30, 2023, the bill increases the portion of net cigarette taxes distributed to the Moffitt Cancer Center from 4.04% to 7%. Beginning July 1, 2023, and continuing through June 30, 2053, the bill increases the portion of net cigarette taxes distributed to the Moffitt Cancer Center from 7% to 10%. The provisions relating to the lookback to Fiscal Year 2001-02 remain the same.

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

December 2019 Tobacco Tax and Surcharge Revenue Estimating Conference

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

See attached.

**Section 4: Proposed Fiscal Impact**

	Moffitt Center (Private)		General Revenue	
	Cash	Recurring	Cash	Recurring
2020-21	11.4	22.9	(11.4)	(22.9)
2021-22	11.4	22.9	(11.4)	(22.9)
2022-23	11.4	22.9	(11.4)	(22.9)
2023-24	22.9	22.9	(22.9)	(22.9)
2024-25	22.9	22.9	(22.9)	(22.9)

**List of affected Trust Funds:**

H. Lee Moffitt Cancer Center and General Revenue

**Section 5: Consensus Estimate (Adopted: 12/06/2019): The Conference adopted the proposed estimate.**

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2020-21	(11.4)	(22.9)	0.0	0.0	11.4	22.9	0.0	0.0
2021-22	(11.4)	(22.9)	0.0	0.0	11.4	22.9	0.0	0.0
2022-23	(11.4)	(22.9)	0.0	0.0	11.4	22.9	0.0	0.0
2023-24	(22.9)	(22.9)	0.0	0.0	22.9	22.9	0.0	0.0
2024-25	(22.9)	(22.9)	0.0	0.0	22.9	22.9	0.0	0.0

December 2019 Forecast

	Cigarette			GR	AB&T	County		Biomedica		General
	Tax	Refunds	Net Tax	Service Charge	Trust Fund	Rev Sharing	PMATF	Moffitt Center	I Research TF	Revenue
2019-20	243.9	0.3	243.6	19.5	2.2	6.4	65.0	15.5	2.2	132.8
2020-21	237.8	0.3	237.5	19.0	2.1	6.3	63.4	15.5	2.2	129.0
2021-22	232.8	0.3	232.5	18.6	2.1	6.1	62.1	15.5	2.1	126
2022-23	228.7	0.3	228.4	18.3	2.1	6	60.9	15.5	2.1	123.5
2023-24	224.7	0.3	224.4	18.0	2.0	5.9	59.9	15.5	2.0	121.1
2024-25	220.8	0.3	220.5	17.6	2.0	5.8	58.9	15.5	2.0	118.7

Distributions with Change

	Cigarette			GR	AB&T	County		Biomedica		General
	Tax	Refunds	Net Tax	Service Charge	Trust Fund	Rev Sharing	PMATF	Moffitt Center	I Research TF	Revenue
2019-20	243.9	0.3	243.6	19.5	2.2	6.4	65.0	15.5	2.2	132.8
2020-21	237.8	0.3	237.5	19.0	2.1	6.3	63.4	26.9	2.2	117.6
2021-22	232.8	0.3	232.5	18.6	2.1	6.1	62.1	26.9	2.1	114.6
2022-23	228.7	0.3	228.4	18.3	2.1	6.0	60.9	26.9	2.1	112.1
2023-24	224.7	0.3	224.4	18.0	2.0	5.9	59.9	38.4	2.0	98.2
2024-25	220.8	0.3	220.5	17.6	2.0	5.8	58.9	38.4	2.0	95.8

Impact of Change

	Cigarette			GR	AB&T	County		Biomedica		General
	Tax	Refunds	Net Tax	Service Charge	Trust Fund	Rev Sharing	PMATF	Moffitt Center	I Research TF	Revenue
2019-20								0.0		0.0
2020-21								11.4		(11.4)
2021-22								11.4		(11.4)
2022-23								11.4		(11.4)
2023-24								22.9		(22.9)
2024-25								22.9		(22.9)

**Tobacco Tax and Surcharge Conference**  
**Comparison of the August 2019 and December 2019 Forecasts**  
**05-Dec-19**

	Packs (calculated)	% Change	Cigarette Tax										Cigarette Surcharge				Total Revenues	Percentage Change		
			Cigarette Tax	Refunds	Net Tax	GR Service Charge	AB&T Trust Fund	County Rev Sharing	PMATF	Moffitt Center	Biomedical Research TF	General Revenue	Cigarette Surcharge	Floor Tax	GR Service Charge	Health Care Trust Fund				
2007-08	1,232.5	-2.1%	411.9	0.3	411.6	29.9	3.7	10.9	110.3	15.9	0.0	239.3								
2008-09	1,252.4	1.6%	418.5	0.1	418.5	30.5	3.8	11.1	112.3	10.8	0.0	250.4								
2009-10	959.7	-23.4%	300.8	0.3	300.5	23.6	2.7	8.0	80.3	5.7	0.0	180.2	856.1	97.5	76.3	872.0	1156.6			
2010-11	920.3	-4.1%	303.7	0.4	303.3	24.5	2.8	8.2	82.9	5.6	0.0	186.2	924.2	0.0	74.5	853.0	1227.5	6.13%		
2011-12	860.1	-6.5%	288.1	0.2	287.9	24.3	2.6	7.6	76.8	5.8	0.0	171.8	859.5	0.0	72.4	792.6	1147.4	-6.53%		
2012-13	846.3	-1.6%	285.3	0.4	284.9	24.0	2.6	7.7	77.5	5.7	0.0	173.7	843.8	0.0	71.1	770.5	1128.7	-1.63%		
2013-14	810.7	-4.2%	271.3	0.6	270.7	22.8	2.4	7.0	70.7	10.6	2.5	150.6	810.3	0.0	68.2	752.0	1081.0	-4.23%		
2014-15	817.2	0.8%	274.2	0.1	274.2	23.1	2.5	7.2	73.2	15.5	2.5	151.3	816.1	0.0	68.7	750.7	1090.3	0.86%		
2015-16	828.1	1.3%	280.5	0.1	280.3	22.4	2.5	7.4	74.8	15.5	2.6	155.0	824.4	0.0	66.0	758.1	1104.8	1.33%		
2016-17	821.3	-0.8%	276.0	0.0	276.0	22.7	2.5	7.3	73.5	15.5	2.5	152.0	819.8	0.0	65.9	753.9	1095.8	-0.81%		
2017-18	788.9	-3.9%	264.8	0.0	264.8	20.1	2.4	7.0	71.0	15.5	2.4	146.3	787.7	0.0	60.8	726.9	1052.5	-3.95%		
2018-19	761.7	-3.5%	263.0	0.4	262.6	23.2	2.3	6.9	69.5	15.5	2.4	142.8	753.2	0.0	54.5	698.7	1015.8	0.00%		
<b>FORECASTS</b>																				
<b>2019-20</b>																				
December 2019	729.8	-4.18%	243.9	0.3	243.6	19.5	2.2	6.4	65.0	15.5	2.2	132.8	728.9	0.0	58.3	670.6	972.5	-4.27%		
SB 494	729.8	-4.18%	243.9	0.3	243.6	19.5	2.2	6.4	65.0	15.5	2.2	132.8	728.9	0.0	58.3	670.6	972.5	-4.27%		
<b>2020-21</b>																				
December 2019	711.6	-2.50%	237.8	0.3	237.5	19.0	2.1	6.3	63.4	15.5	2.2	129.0	710.7	0.0	56.9	653.8	948.2	-2.50%		
SB 494	711.6	-2.50%	237.8	0.3	237.5	19.0	2.1	6.3	63.4	26.9	2.2	117.6	710.7	0.0	56.9	653.8	948.2	-2.50%		
<b>2021-22</b>																				
December 2019	696.5	-2.12%	232.8	0.3	232.5	18.6	2.1	6.1	62.1	15.5	2.1	126.0	695.6	0.0	55.6	640.0	928.1	-2.12%		
SB 494	696.5	-2.12%	232.8	0.3	232.5	18.6	2.1	6.1	62.1	26.9	2.1	114.6	695.6	0.0	55.6	640.0	928.1	-2.12%		
<b>2022-23</b>																				
December 2019	684.3	-1.75%	228.7	0.3	228.4	18.3	2.1	6.0	60.9	15.5	2.1	123.5	683.4	0.0	54.7	628.7	911.8	-1.76%		
SB 494	684.3	-1.75%	228.7	0.3	228.4	18.3	2.1	6.0	60.9	26.9	2.1	112.1	683.4	0.0	54.7	628.7	911.8	-1.76%		
<b>2023-24</b>																				
December 2019	672.3	-1.75%	224.7	0.3	224.4	18.0	2.0	5.9	59.9	15.5	2.0	121.1	671.4	0.0	53.7	617.7	895.8	-1.75%		
SB 494	672.3	-1.75%	224.7	0.3	224.4	18.0	2.0	5.9	59.9	38.4	2.0	98.2	671.4	0.0	53.7	617.7	895.8	-1.75%		
<b>2024-25</b>																				
December 2019	660.6	-1.74%	220.8	0.3	220.5	17.6	2.0	5.8	58.9	15.5	2.0	118.7	659.7	0.0	52.8	606.9	880.2	-1.74%		
SB 494	660.6	-1.74%	220.8	0.3	220.5	17.6	2.0	5.8	58.9	38.4	2.0	95.8	659.7	0.0	52.8	606.9	880.2	-1.74%		

## REVENUE ESTIMATING CONFERENCE

**Tax:** Sales and Use Tax

**Issue:** Small Business Rent Exemption

**Bill Number(s):** [Proposed Language](#)

**Entire Bill**

**Partial Bill:**

**Sponsor(s):**

**Month/Year Impact Begins:** January 1, 2021

**Date of Analysis:** December 6, 2019

### Section 1: Narrative

**a. Current Law:** 212.031 Tax on rental or license fee for use of real property.

Starting on January 1, 2020, a 5.5% tax on commercial rent and allows counties to levy an additional surtax from 0 to 2.5%.

Florida Administrative Code Rule 12A-1.060 Registration

(1)(d) For purposes of this rule, a "place of business" is a location where a dealer engages in an activity or activities described in this subsection. A place of business includes the entire contiguous area in which the dealer carries on an activity or activities that require registration. A dealer that engages in more than one activity requiring registration within a contiguous area generally is required to obtain only one registration certificate for that location. The Department will, however, treat areas within a single contiguous location as separate places of business and require a dealer to obtain separate registration certificates if the activities carried on in those areas are subject to taxation under different provisions of Chapter 212, F.S., the activities are not functionally related, and the efficient administration of the taxes imposed by Chapter 212, F.S., is facilitated by multiple registrations. The Department will permit a dealer to obtain separate registrations for activities carried on at a single contiguous location at the dealer's request if the dealer keeps separate financial records for the activities and the activities are not functionally related. Under no circumstances will a dealer be subject to more than one penalty for failure or refusal to obtain a registration certificate for a single contiguous location, even if the dealer could be required or permitted to obtain separate registration certificates for multiple activities carried on at the location. The following examples illustrate the application of this rule in determining whether more than one place of business exists at a single contiguous location.

1. A taxpayer operates a shopping mall with 100 retail outlets that are leased to stores and restaurants, parking and common areas, and offices where management and accounting functions are performed. The taxpayer is required to register as a dealer because the rental of real property to the retailers is taxable under Section 212.031, F.S. The entire shopping mall is a single place of business for purposes of registration by the taxpayer.

**b. Proposed Change:**

(10) (a) The rental, lease, sublease, or license of real property to a small business is exempt from the tax imposed by this section.

(b) For purposes of this subsection, the term:

1. "Small business" means a business that employs 19 or fewer total employees at all of its business locations which are related through common ownership and whose business activities are integrated with, dependent upon, or contribute to the flow of value among such locations.

2. "Total employees" means all full-time and part-time employees currently employed by a small business at all of its business locations, wherever they are located.

(c) To receive an exemption under paragraph (a), a small business must submit a completed application to the department containing the following information:

1. A statement that the small business is seeking the exemption provided in this subsection.

2. The name, mailing address, and, if applicable, the federal employment identification number and business partner number of the small business.

3. A list of the physical addresses of each of the small business's business locations in the state.

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4. A copy of the small business's most recently signed and filed Florida Department of Revenue Employer's Quarterly Report (RT-6) documenting that 19 or fewer employees were employed during each of the months within the most recently filed RT-6, if such small business was required to file the RT-6.

5. A sworn statement, under penalty of perjury, executed by a duly authorized officer or agent of the small business certifying the number of total employees employed by the small business and attesting to the accuracy of the information included in the application.

(d)1. The department must review each application to determine whether it is complete. If it is not complete, the department must notify the small business and specify the additional information necessary to complete the application.

2. The department must approve or deny each complete application within 30 days after receiving it. The department shall review and verify the small business's eligibility for the exemption by confirming that the number of total employees in the certification statement and the number of total employees listed in the RT-6 is 19 or fewer.

3. If the department determines that the small business is eligible for the exemption, it must issue an approval letter to the small business that includes the name of the small business, a list of all of the small business's business locations in the state, a statement that the small business qualifies for the exemption under this subsection, and an expiration date that is 1 year after the last day of the month in which the approval letter was issued.

4. If the department is unable to verify the eligibility of the small business, the department must issue a denial letter to the small business explaining the reasons for denial.

(e) To obtain the exemption under this subsection, the small business must submit the approval letter to the landlord, lessor, or licensor. The exemption applies only during the time that the small business occupies, uses, or is entitled to occupy or use the real property regardless of when a rent or license fee payment is due or paid. The applicable tax under this chapter may not be avoided by delaying or accelerating rent or license fee payments so that they are paid during a period covered by the approval letter.

(f)1. An approval letter is valid for 1 year after the last day of the month in which it was issued. To continue receiving the tax exemption without interruption, the small business must submit a new application to the department at least 45 days before the approval letter is scheduled to expire.

2. A small business that does not reapply within the timeframe specified in subparagraph 1. may submit a new application to the department at any time. Any rental, lease, sublease, or license of real property to the small business after a previously issued approval letter has expired is subject to the applicable tax under this chapter unless it is otherwise exempt.

### Section 2: Description of Data and Sources

SBA Annual Receipts Data 2012 - [census.gov/data/tables/2012/econ/susb/2012-susb-annual.html](https://www.census.gov/data/tables/2012/econ/susb/2012-susb-annual.html)

National Economic Estimating Conference GDP Growth 2012-2018

SBA Florida Small Business Count Data 2015 - [https://www.sba.gov/sites/default/files/advocacy/FL\\_0.pdf](https://www.sba.gov/sites/default/files/advocacy/FL_0.pdf)

SUSB 2015 Small Business Count Data - <https://www.census.gov/data/tables/2015/econ/susb/2015-susb-annual.html>

Annual Sales and Use Tax Data from Commercial Rent and Kind Code 82 from 2018

Adopted Conference Estimate from Commercial Rent Rate Reduction on June 12, 2019 --

[http://edr.state.fl.us/Content/conferences/revenueimpact/archives/2019/\\_pdf/page566-573.pdf](http://edr.state.fl.us/Content/conferences/revenueimpact/archives/2019/_pdf/page566-573.pdf)

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

#### Method 1: Lower-bound by Strata

Data from the U.S. Small Business Administration's (SBA) small business gross receipts from 2012 were used as the starting point for this analysis. These gross receipts were divided up by employee cohort – businesses with 1 to 4, 5 to 9, and 10 to 14, and 15 to 19 employees. The gross sales amounts from 2012 were grown using the national GDP growth from the National Economic Estimating Conference to estimate the gross sales amounts for 2018.

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The estimated 2018 small business gross sales values were used to calculate an average per capita employee "contribution". The average per capita contribution is equal to the average gross sales of each employee cohort multiplied by the mean number of employees. The average per capita employee contribution was multiplied by the highest possible number of employees for the exemption, or 19, to find the upper-bound of the gross sales for small businesses. This calculated upper-bound is \$3.61m.

The 2018 annual sales data was categorized by:

- Business size based on the gross sales upper-bound,
- Kind Code 82 (Office Space, Commercial Rentals, Real Estate),
- Sales Tax Return Form Type,
- Gross Commercial Rent sales greater than 0,
- Monthly gross sales:
  - Less than \$50,000,
  - Less than \$40,000,
  - Less than \$30,000,
  - Less than \$20,000,
  - Less than \$10,000,
  - Or greater than or equal to \$50,000.

From the 2015 SBA data, the ratio of small business with 1 to 19 employees (SB) to total Florida businesses was 15.96%, while the ratio and small businesses(SB) and non-employer (NE) firms to total businesses in Florida was 98.36%. From the 2018 annual sales data, it was found that 94.56% of businesses in the data would qualify for the exemption as a small business (total gross sales less than \$3.61M) under the proposed language.

The businesses were separated by those that had commercial rent and those without. For businesses with commercial rent, the non-commercial rent activities are separated from the commercial rent activities. These separated groups are then used to calculate the percentage of small business activity less commercial rent to all business activity less commercial rent.

In the data, small businesses were stratified by their average monthly gross sales up to \$50,000 at intervals of \$10,000 to exclude companies who may not apply for the exemption due to lack of incentive or opportunity (holiday vendors, kiosks, etc.).

All businesses earning less than \$10,000 in average monthly sales are excluded from the high. All businesses earning less than \$30,000 in average monthly sales are excluded from the middle. All businesses earning less than \$50,000 in average monthly sales are excluded from the low.

The percentages of small business gross sales to total Florida gross sales are calculated as 15.26% in the high, as 13.91% in the middle, and as 12.5% in the low. In June 2019, the conference adopted an estimate regarding commercial rent collections for the rate decrease to 5.5%. This previously adopted estimate is multiplied by the percentages of small business sales to total sales to calculate the estimated exemption under the proposed language.

It is assumed that the entity collecting the commercial rent collects a base rent rate with an additional proportion added from a percentage of gross sales (usually no more than 7%). The adjustment for the unknown base rate is shown as an additional percentage added to the estimates coming out of the ratio calculations. These percentages were set at 5%, 3.5%, and 2% and added on to the high, middle, and low estimates, respectively.



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**Issue:** Small Business Rent Exemption

**Bill Number(s):** [Proposed Language](#)

The proposed language would go into effect on January 1, 2021 and it is assumed that all applications are processed by that date, and there will be a one-month lag to collections. Therefore, 5 months of collections are included in the 2020-21 cash values.

Methodology 2 – For methodology 2, the kind code 82 data was extracted from the 2018 Annual Sales Tax data file. For those dealers that filed the DR 15, the amount of tax collected on the commercial rent line was used. For those dealers that filed the DR 15EZ, the total tax due was used. The tax amount was divided by 5.8 to get to annual taxable commercial rent and then divided by 12 to get an implied monthly rent amount. The file was sorted from lowest rent amount to highest rent amount and a cumulative rent amount was calculated. This data was used to develop tiers as presented in the attached spreadsheet. Total tax amounts per tier were calculated. This amount was then divided by 5.8% and multiplied by 5.5% to get the current law tax amount that would have been due within each tier. An assumed percentage of small businesses was assigned to each tier. At the lowest amounts of rent there was an additional assumption that some small businesses would not bother to apply for the exemption, resulting in lower percentages. The assumed percentages were lowered as the rent tier increased. The resulting impact was grown at the growth rates used in the 6-12-2019 REC adopted commercial rent rate reduction impact to grow the impact into the forecast period. These annual amounts were converted to fiscal year amounts. The 2020-21 cash amount was 5/12<sup>th</sup> of the recurring amount.

**Section 4: Proposed Fiscal Impact – Method 1**

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2020-21	(\$124.3 M)	(\$298.3 M)	(\$111.7 M)	(\$268.1 M)	(\$98.9 M)	(\$237.5 M)
2021-22	(\$313.3 M)	(\$313.3 M)	(\$281.6 M)	(\$281.6 M)	(\$249.4 M)	(\$249.4 M)
2022-23	(\$329.1 M)	(\$329.1 M)	(\$295.8 M)	(\$295.8 M)	(\$262.0 M)	(\$262.0 M)
2023-24	(\$345.6 M)	(\$345.6 M)	(\$310.6 M)	(\$310.6 M)	(\$275.1 M)	(\$275.1 M)
2024-25	(\$363.0 M)	(\$363.0 M)	(\$326.3 M)	(\$326.3 M)	(\$289.0 M)	(\$289.0 M)

**Method 2**

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2020-21					(\$95.9 M)	(\$230.2 M)
2021-22					(\$241.8 M)	(\$241.8 M)
2022-23					(\$253.9 M)	(\$253.9 M)
2023-24					(\$266.8 M)	(\$266.8 M)
2024-25					(\$280.2 M)	(\$280.2 M)

**List of affected Trust Funds:** Sales and Use Tax Group

**REVENUE ESTIMATING CONFERENCE**

**Tax:** Sales and Use Tax

**Issue:** Small Business Rent Exemption

**Bill Number(s):** [Proposed Language](#)

**Section 5: Consensus Estimate (Adopted: 12/06/2019): The Conference adopted the middle of Method 1.**

	GR		Trust		Revenue Sharing		Local Half Cent	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2020-21	(98.9)	(237.3)	(Insignificant)	(Insignificant)	(3.3)	(8.0)	(9.5)	(22.8)
2021-22	(249.3)	(249.3)	(Insignificant)	(Insignificant)	(8.4)	(8.4)	(23.9)	(23.9)
2022-23	(261.9)	(261.9)	(Insignificant)	(Insignificant)	(8.8)	(8.8)	(25.1)	(25.1)
2023-24	(275.0)	(275.0)	(Insignificant)	(Insignificant)	(9.2)	(9.2)	(26.4)	(26.4)
2024-25	(288.9)	(288.9)	(Insignificant)	(Insignificant)	(9.7)	(9.7)	(27.7)	(27.7)

	Local Option		Total Local		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2020-21	0.0	0.0	(12.8)	(30.8)	(111.7)	(268.1)
2021-22	0.0	0.0	(32.3)	(32.3)	(281.6)	(281.6)
2022-23	0.0	0.0	(33.9)	(33.9)	(295.8)	(295.8)
2023-24	0.0	0.0	(35.6)	(35.6)	(310.6)	(310.6)
2024-25	0.0	0.0	(37.4)	(37.4)	(326.3)	(326.3)

	A	B	C	D	E	F	G
1	Implied Monthly Rent	Number of accounts	Cumulative Tax on Commercial Rent at 5.8%	Rent per tier at 5.8%	Rent per tier at 5.5%	Percent assumed to be eligible and participating small business	Impact
2	\$250	2751	\$256,902	\$256,902	\$243,614	25%	\$60,903.49
3	\$500	3436	\$1,164,988	\$908,086	\$861,116	50%	\$430,558.02
4	\$750	4021	\$2,914,187	\$1,749,199	\$1,658,723	75%	\$1,244,042.39
5	\$1,000	4131	\$5,451,630	\$2,537,443	\$2,406,196	90%	\$2,165,576.35
6	\$2,000	16263	\$22,270,447	\$16,818,817	\$15,948,878	90%	\$14,353,990.37
7	\$3,000	12897	\$44,580,617	\$22,310,170	\$21,156,196	75%	\$15,867,146.77
8	\$4,000	10409	\$69,822,534	\$25,241,917	\$23,936,301	75%	\$17,952,225.45
9	\$5,000	8531	\$96,480,578	\$26,658,044	\$25,279,180	75%	\$18,959,384.74
10	\$6,000	6958	\$123,075,554	\$26,594,976	\$25,219,374	60%	\$15,131,624.28
11	\$7,000	5620	\$148,406,785	\$25,331,231	\$24,020,995	50%	\$12,010,497.46
12	\$8,000	4763	\$173,200,680	\$24,793,895	\$23,511,452	40%	\$9,404,580.86
13	\$9,000	4039	\$197,075,375	\$23,874,695	\$22,639,797	30%	\$6,791,939.09
14	\$10,000	3623	\$221,033,921	\$23,958,546	\$22,719,311	20%	\$4,543,862.17
15	\$11,000	3031	\$243,161,761	\$22,127,840	\$20,983,297	20%	\$4,196,659.31
16	\$12,000	2803	\$265,601,196	\$22,439,435	\$21,278,775	20%	\$4,255,754.91
17	\$13,000	2346	\$285,982,128	\$20,380,932	\$19,326,746	15%	\$2,899,011.88
18	\$14,000	2095	\$305,644,775	\$19,662,647	\$18,645,614	15%	\$2,796,842.03
19	\$15,000	2020	\$326,011,075	\$20,366,300	\$19,312,871	15%	\$2,896,930.60
20	\$16,000	1638	\$343,627,435	\$17,616,360	\$16,705,169	15%	\$2,505,775.34
21	\$17,000	1460	\$360,396,278	\$16,768,843	\$15,901,489	15%	\$2,385,223.36
22	\$18,000	1387	\$377,301,199	\$16,904,921	\$16,030,529	15%	\$2,404,579.28
23	\$19,000	1230	\$393,137,123	\$15,835,924	\$15,016,824	10%	\$1,501,682.45
24	\$20,000	1084	\$407,838,929	\$14,701,806	\$13,941,368	10%	\$1,394,136.78
25	\$21,000	1047	\$422,769,677	\$14,930,748	\$14,158,468	10%	\$1,415,846.79
26	\$22,000	964	\$437,186,462	\$14,416,785	\$13,671,089	10%	\$1,367,108.92
27	\$23,000	857	\$450,599,904	\$13,413,442	\$12,719,643	10%	\$1,271,964.33
28	\$24,000	841	\$464,356,062	\$13,756,158	\$13,044,633	10%	\$1,304,463.26
29	\$25,000	765	\$477,398,536	\$13,042,474	\$12,367,863	10%	\$1,236,786.33
30	\$30,000	3276	\$539,916,309	\$62,517,773	\$59,284,095	10%	\$5,928,409.51
31	\$35,000	2335	\$592,596,475	\$52,680,166	\$49,955,330	10%	\$4,995,532.98
32	\$40,000	1803	\$639,493,423	\$46,896,948	\$44,471,244	10%	\$4,447,124.38
33	\$45,000	1410	\$681,142,393	\$41,648,970	\$39,494,713	10%	\$3,949,471.29
34	\$50,000	1150	\$719,097,235	\$37,954,842	\$35,991,661	10%	\$3,599,166.05
35	\$55,000	1055	\$757,629,872	\$38,532,637	\$36,539,570	5%	\$1,826,978.48
36	\$60,000	834	\$790,930,343	\$33,300,471	\$31,578,033	5%	\$1,578,901.64
37	\$65,000	712	\$821,872,213	\$30,941,870	\$29,341,428	5%	\$1,467,071.42
38	\$70,000	642	\$852,007,905	\$30,135,692	\$28,576,949	5%	\$1,428,847.47
39	\$75,000	537	\$879,083,500	\$27,075,595	\$25,675,133	5%	\$1,283,756.66
40	\$80,000	494	\$905,719,204	\$26,635,704	\$25,257,995	5%	\$1,262,899.76
41	\$85,000	421	\$929,880,914	\$24,161,710	\$22,911,966	5%	\$1,145,598.32
42	\$90,000	395	\$953,919,144	\$24,038,230	\$22,794,873	5%	\$1,139,743.66
43	\$95,000	342	\$975,913,484	\$21,994,340	\$20,856,702	5%	\$1,042,835.09
44	\$100,000	297	\$996,045,198	\$20,131,714	\$19,090,418	2%	\$381,808.37
45	\$125,000	1072	\$1,079,319,352	\$83,274,154	\$78,966,870	2%	\$1,579,337.40
46	\$150,000	722	\$1,147,814,018	\$68,494,666	\$64,951,838	2%	\$1,299,036.77
47	\$175,000	459	\$1,199,544,799	\$51,730,781	\$49,055,051	2%	\$981,101.02
48	\$200,000	342	\$1,244,024,963	\$44,480,164	\$42,179,466	2%	\$843,589.32
49	\$250,000	449	\$1,313,619,155	\$69,594,192	\$65,994,492	2%	\$1,319,889.85
50	\$500,000	735	\$1,487,792,686	\$174,173,531	\$165,164,555	2%	\$3,303,291.11
51	Over \$500,000	379	\$1,806,084,828	\$318,292,142	\$301,828,755	2%	\$6,036,575.11
52		130871					\$203,590,062.67

	A	B	C	D	E	F	G
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Growth rate - 6-12-19		
	Impact analysis	Impact
2019	5.03%	213,830,643
2020	5.03%	224,586,324
2021	5.03%	235,883,016
2022	5.03%	247,747,932
2023	5.03%	260,209,653
2024	5.03%	273,298,199
2025	5.03%	287,045,098

  

Conversion to State Fiscal Year	
2020-21 Cash	\$95,931,113
2020-21	\$230,234,670
2021-22	\$241,815,474
2022-23	\$253,978,792
2023-24	\$266,753,926
2024-25	\$280,171,648

	A	B	C	D	E	F	G
1							
2	<b>Small Business Gross Sales Ratio Analysis with Strata Modifications</b>						
3		<b>Monthly GS &lt; \$10,000</b>	<b>Monthly GS &lt; \$30,000</b>	<b>Monthly GS &lt; \$50,000</b>			
4	<b>Gross Sales (\$)</b>	<b>High</b>	<b>Middle</b>	<b>Low</b>			
5	All Businesses less Commercial Rent	\$ 1,213,443,112,262	\$ 1,213,443,112,262	\$ 1,213,443,112,262			
6	Small Businesses less than \$3.61m GS	\$ 185,170,535,011	\$ 168,831,008,848	\$ 151,730,438,083			
7	**Note: Commercial Rent removed from pool. **Values in this table come from Descriptive Data rows 32 and 28.						
8							
9		<b>High</b>	<b>Middle</b>	<b>Low</b>			
10	% of Gross Sales going to Commercial Rent	2.656%	2.656%	2.656%			
11	% SB Gross Sales v Total Gross Sales	15.26%	13.91%	12.50%			
12	**Low estimate percentage consistent with ratios calculated above.						
13							
14	<b>Adopted amounts from Post-Session 2019 Conference for Commercial Rent Collections (Adopted:6/12/2019)</b>						
15	Year	Sales Tax at 5.5%					
16	2019-20	\$1,772,689,554					
17	2020-21	\$1,861,855,838					
18	2021-22	\$1,955,507,187					
19	2022-23	\$2,053,869,198					
20	2023-24	\$2,157,178,819					
21	2024-25	\$2,265,684,914					
22							
23	Year	High	Middle	Low			
24	2019-20	\$ (270,511,135)	\$ (246,641,118)	\$ (221,659,310)			
25	2020-21	\$ (284,117,845)	\$ (259,047,166)	\$ (232,808,773)			
26	2021-22	\$ (298,408,972)	\$ (272,077,239)	\$ (244,519,054)			
27	2022-23	\$ (313,418,944)	\$ (285,762,724)	\$ (256,818,363)			
28	2023-24	\$ (329,183,916)	\$ (300,136,589)	\$ (269,736,326)			
29	2024-25	\$ (345,741,867)	\$ (315,233,459)	\$ (283,304,063)			
30							
31	<b>Adjustment for Unknown Base Rate</b>	High	Middle	Low			
32	Base Rate Percentages	5%	3.5%	2%			
33							
34		High	Middle	Low			
35		Cash	Recurring	Cash	Recurring	Cash	Recurring
36	2019-20	\$ (260,366,967.04)	\$ (284,036,691.32)	\$ (234,000,760.61)	\$ (255,273,557.03)	\$ (207,251,454.52)	\$ (226,092,495.84)
37	2020-21	\$ (298,323,736.89)	\$ (298,323,736.89)	\$ (268,113,816.94)	\$ (268,113,816.94)	\$ (237,464,948.38)	\$ (237,464,948.38)
38	2021-22	\$ (313,329,420.86)	\$ (313,329,420.86)	\$ (281,599,941.94)	\$ (281,599,941.94)	\$ (249,409,435.28)	\$ (249,409,435.28)
39	2022-23	\$ (329,089,890.73)	\$ (329,089,890.73)	\$ (295,764,419.02)	\$ (295,764,419.02)	\$ (261,954,729.88)	\$ (261,954,729.88)
40	2023-24	\$ (345,643,112.23)	\$ (345,643,112.23)	\$ (310,641,369.29)	\$ (310,641,369.29)	\$ (275,131,052.79)	\$ (275,131,052.79)
41	2024-25	\$ (363,028,960.78)	\$ (363,028,960.78)	\$ (326,266,630.17)	\$ (326,266,630.17)	\$ (288,970,144.75)	\$ (288,970,144.75)
42							
43	Impact Estimates (in \$M)						
44							
45		High	Middle	Low			
46		Cash	Recurring	Cash	Recurring	Cash	Recurring
47	2020-21	(\$124.3 M)	(\$298.3 M)	(\$111.7 M)	(\$268.1 M)	(\$98.9 M)	(\$237.5 M)
48	2021-22	(\$313.3 M)	(\$313.3 M)	(\$281.6 M)	(\$281.6 M)	(\$249.4 M)	(\$249.4 M)
49	2022-23	(\$329.1 M)	(\$329.1 M)	(\$295.8 M)	(\$295.8 M)	(\$262.0 M)	(\$262.0 M)
50	2023-24	(\$345.6 M)	(\$345.6 M)	(\$310.6 M)	(\$310.6 M)	(\$275.1 M)	(\$275.1 M)
51	2024-25	(\$363.0 M)	(\$363.0 M)	(\$326.3 M)	(\$326.3 M)	(\$289.0 M)	(\$289.0 M)
52	**The law would go into effect on January 1, 2021. It is assumed that all applications are in place at that time, and that there will be a one-month lag to collections						

	A	B	C	D	E
3	Small Business Administration Florida Data 2015			Small Business Administration Florida Data 2015 (Including Nonemployers Firms)	
4	SBA Proportion of Firms	2015 Data		SBA Proportion of Firms	2015 Data
5	1 to 19 Employees (SB)	395,294		Nonemployer Firms (NE)	2,040,339
6	Total Small Business (TSB) in FL	2,471,260		SB+NE	2,435,633
7	SB to TSB	15.9956%		SB+NE to TSB	98.5583%
8	SB to all FL Businesses (99.8%)	15.9637%		SB+NE to all FL Businesses	98.3612%
9	**Note: Small businesses (Fewer than 500 employees) make up 99.8% of all FL businesses.				
10					
11	% SB Gross Sales v Total Gross Sales				
12		**Low estimate percentage consistent with ratios calculated above.			
13	Small Businesses under \$3.61m Gross Sales	709,375			
14	All Businesses	750,161			
15	Ratio	94.56%			
16					
17	Stratification of Small Businesses (less than \$3.62M in Gross Sales) Average Gross Sales by Month				
18	Monthly Gross Sales	# of Businesses	Ratio to SB (709,375)	Cumulative Ratios (to SB)	
19	<\$10,000	454,682	64.10%	64.10%	
20	<\$20,000	64,661	9.12%	73.21%	
21	<\$30,000	36,353	5.12%	78.34%	
22	<\$40,000	24,681	3.48%	81.82%	
23	<\$50,000	18,502	2.61%	84.42%	
24	> or = \$50,000	110,496	15.58%	100.00%	
25					
26	Amount of Gross Sales for Strata Grouping				
27		Monthly GS < \$10,000	Monthly GS < \$30,000	Monthly GS < \$50,000	
28	Total Gross Sales for SB	\$ 192,020,307,985.29	\$ 192,020,307,985.29	\$ 192,020,307,985.29	
29	Gross Sales per Strata	\$ 6,849,772,973.87	\$ 23,189,299,137.22	\$ 40,289,869,902.03	
30	Gross Sales Excluding Indicated Cohorts	\$ 185,170,535,011.42	\$ 168,831,008,848.07	\$ 151,730,438,083.26	
31	Ratio of SB Gross Sales with Excluded Cohorts	96.43%	87.92%	79.02%	
32	Gross Sales for All Businesses	\$ 1,213,443,112,261.96	\$ 1,213,443,112,261.96	\$ 1,213,443,112,261.96	
33	Ratios to All Businesses (SB Gross Sales less Strata)	99.44%	98.09%	96.68%	
34					
35					
36					

	A	B	C	D	E	F	G	H	I
1									
2	<b>2012 SUBS Census Data</b>								
3	<b>GEOGRAPHIC AREA DESCRIPTION</b>	<b>NAICS DESCRIPTION</b>	<b>ENTERPRISE EMPLOYMENT SIZE</b>	<b>NUMBER OF FIRMS</b>	<b>NUMBER OF ESTABLISHMENTS</b>	<b>EMPLOYMENT</b>	<b>ANNUAL PAYROLL (\$1,000)</b>	<b>ESTIMATED RECEIPTS (\$1,000)</b>	<b>AVG RECEIPTS PER FIRM</b>
4	Florida	Total	02: 0-4	281,327	281,673	438,796	16,350,692	105,208,451	\$ 373,972.11
5	Florida	Total	03: 5-9	58,997	59,528	385,591	13,041,846	68,547,420	\$ 1,161,879.76
6	Florida	Total	04: 10-14	21,556	22,313	250,412	8,618,051	40,233,723	\$ 1,866,474.44
7	Florida	Total	05: 15-19	10,894	11,707	180,226	6,306,616	29,915,186	\$ 2,746,024.05
8	Florida (SB)	Total	06: <20	372,774	375,221	1,255,025	44,317,205	243,904,780	\$ 654,296.65
9	Florida (TSB)	Total	01: Total	409,368	502,414	6,932,382	280,304,784	1,468,887,755	\$ 3,588,184.12
10	SB/TSB			91.06%				16.60%	
11	% SB Gross Sales v Total Gross Sales								
12	<b>Receipts adjusted 2018 Rate by GDP % Growth</b>	<b>1 to 4 Employees</b>	<b>5 to 9 Employees</b>	<b>10 to 14 employees</b>	<b>15 to 19 Employees</b>	<b>GDP Growth Rate 2012- 2018</b>			
13	2012	\$ 373,972.11	\$ 1,161,879.76	\$ 1,866,474.44	\$ 2,746,024.05	4.2%			
14	2013	\$ 387,544.79	\$ 1,204,048.21	\$ 1,866,474.44	\$ 2,845,686.32	3.6%			
15	2014	\$ 404,558.97	\$ 1,256,908.93	\$ 1,866,474.44	\$ 2,970,619.07	4.4%			
16	2015	\$ 420,664.67	\$ 1,306,947.11	\$ 1,866,474.44	\$ 3,088,880.90	4.0%			
17	2016	\$ 431,929.61	\$ 1,341,945.71	\$ 1,866,474.44	\$ 3,171,597.73	2.7%			
18	2017	\$ 449,897.58	\$ 1,397,769.71	\$ 1,866,474.44	\$ 3,303,533.98	4.2%			
19	2018	\$ 473,187.06	\$ 1,470,126.94	\$ 1,866,474.44	\$ 3,474,545.38	5.2%			
20									
21	<b>Contribution of Individual Employees to Overall Receipts by Employee Cohort</b>								
22	<b>Per Capita Employee Contribution to Receipts</b>								
23		<b>Receipts 2018</b>	<b>Employee Lower-bound</b>	<b>Cohort Average</b>	<b>Employee Upper-bound</b>				
24	<b>1 to 4 Employees</b>	\$ 473,187.06	\$ 473,187.06	\$ 189,274.83	\$ 118,296.77				
25	<b>5 to 9 Employees</b>	\$ 1,470,126.94	\$ 294,025.39	\$ 210,018.13	\$ 163,347.44				
26	<b>10 to 14 employees</b>	\$ 1,866,474.44	\$ 186,647.44	\$ 155,539.54	\$ 124,431.63				
27	<b>15 to 19 Employees</b>	\$ 3,474,545.38	\$ 231,636.36	\$ 204,385.02	\$ 182,870.81				
28	<b>Average for All Groups</b>	\$ 1,821,083.46	\$ 296,374.06	\$ 189,804.38	\$ 147,236.66				
29									
30	<b>Sales receipts bounds, based on the combined group Cohort Average.</b>								
31		<b>Lower-bound</b>	<b>Upper-bound</b>						
32	<b>1 to 4 Employees</b>	\$ 1	\$ 949,021						
33	<b>5 to 9 Employees</b>	\$ 949,022	\$ 1,898,043						
34	<b>10 to 14 Employees</b>	\$ 1,898,044	\$ 2,847,065						
35	<b>10 to 19 Employees</b>	\$ 2,847,066	\$ 3,606,283						
36	**All businesses with total gross sales less than \$3,606,283.21 were identified as small businesses for this estimate.								
37									

## REVENUE ESTIMATING CONFERENCE

**Tax:** Sales and Use Tax

**Issue:** Private Investigative Services Exemption

**Bill Number(s):** [Proposed Language](#)

**Entire Bill**

**Partial Bill:**

**Sponsor(s):**

**Month/Year Impact Begins:** July 1, 2020 (1-month lag to collections)

**Date of Analysis:** 11/22/2019

### Section 1: Narrative

- a. **Current Law:** Under s.212.05 (1) F.S., For the exercise of such privilege, a tax is levied on each taxable transaction or incident, which tax is due and payable as follows:
- (i)1: At the rate of 6 percent on charges for all:
    - a. Detective, burglar protection, and other protection services (NAICS National Numbers 561611, 561612, 561613, and 561621).

s.212.05 (1) (i) F.S., 4. If a transaction involves both the sale or use of a service taxable under this paragraph and the sale or use of a service or any other item not taxable under this chapter, the consideration paid must be separately identified and stated with respect to the taxable and exempt portions of the transaction or the entire transaction shall be presumed taxable. The burden shall be on the seller of the service or the purchaser of the service, whichever applicable, to overcome this presumption by providing documentary evidence as to which portion of the transaction is exempt from tax. The department is authorized to adjust the amount of consideration identified as the taxable and exempt portions of the transaction; however, a determination that the taxable and exempt portions are inaccurately stated and that the adjustment is applicable must be supported by substantial competent evidence.

s. 493.6101 (17) F.S., "Private investigation" means the investigation by a person or persons for the purpose of obtaining information with reference to any of the following matters:

- (a) Crime or wrongs done or threatened against the United States or any state or territory of the United States, when operating under express written authority of the governmental official responsible for authorizing such investigation.
- (b) The identity, habits, conduct, movements, whereabouts, affiliations, associations, transactions, reputation, or character of any society, person, or group of persons.
- (c) The credibility of witnesses or other persons.
- (d) The whereabouts of missing persons, owners of unclaimed property or escheated property, or heirs to estates.
- (e) The location or recovery of lost or stolen property.
- (f) The causes and origin of, or responsibility for, fires, libels, slanders, losses, accidents, damage, or injuries to real or personal property.
- (g) The business of securing evidence to be used before investigating committees or boards of award or arbitration or in the trial of civil or criminal cases and the preparation therefor.

From Florida Department of Agriculture website: A private investigator is any individual or agency who, for consideration, advertises as providing or performs the following activities. Individuals or agencies providing or advertising as providing these services for consideration must be licensed.

- Subcontracting with the government to determine crimes or wrongs done or threatened against the United States
- Determining the identity, habits, conduct, movements, whereabouts, affiliations, associations, transactions, reputation or character of any society, person, or group of persons
- The credibility of witnesses or other persons
- The whereabouts of missing persons, owners of abandoned or escheated property, or heirs to estates
- The location or recovery of lost or stolen property
- The causes or origin of fires, libels, slanders, losses, accidents, damage, or injuries to real or personal property
- Securing evidence to be used before investigating committees or boards of award or arbitration or trial of civil or criminal cases

- b. **Proposed Change:** Under s.212.05. (1) F.S., For the exercise of such privilege, a tax is levied on each taxable transaction or incident, which tax is due and payable as follows:



## REVENUE ESTIMATING CONFERENCE

**Tax:** Sales and Use Tax

**Issue:** Private Investigative Services Exemption

**Bill Number(s):** [Proposed Language](#)

(i)1: At the rate of 6 percent on charges for all:

a. Detective, burglar protection, and other protection services (NAICS National Numbers 561611, 561612, 561613, and 561621), excluding private investigative services

In addition, the following is added to s.212.05. (1) (i) 1 a F.S.: Private investigative services means private investigations, as defined in s. 493.6101(17), performed by a private investigative agency or private investigator licensed under chapter 493, Florida Statutes.

### Section 2: Description of Data and Sources

Calendar Year 2018, 2017 & 2016 Sales Tax Data specific NAICS codes:

561611 - Entities engaged in providing investigation and detective services.

561612 - Entities engaged in providing guard and patrol services, such as bodyguard, guard dog, and parking security services.

561613 - Entities engaged in picking up and delivering money, receipts, or other valuable items. These establishments maintain personnel and equipment to protect such properties while in transit.

561621 - Entities engaged in (1) selling security alarm systems, such as burglar and fire alarms, along with installation, repair, or monitoring services or (2) remote monitoring of electronic security alarm systems.

August 2019 General Revenue – Consumer Non-Durables Growth Rates

Florida Administrative Code 12a-1.0092 Detective, Burglar Protection, and Other Protection Services.

Florida Department of Agriculture

Kind Code – NAICS crosswalk

Florida Department of Agriculture - Active Licensed Private Investigators

9/28/2017 Impact Conference Results for Private Investigative Services

June 2019 IBIS World Industry Report: Private Detective Services in the US

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

This analysis uses a list from the Florida Department of Agriculture and Consumer Services (DACS) of the Active Licensed Private Investigators that has been matched into the Florida Department of Revenue's annual sales tax data files. This matched data is then used to create three cohorts within the sales tax data. The first group (Group A) consists of only those business in one of the four NAICS codes that have active licenses with DACS. The second group (Group B) consists of only those businesses that have active licenses with DACS, but do not use one of the listed NAICS codes for the primary NAICS code at a given location. The third group (Group C) consists only of businesses without license information from DACS using one of the four NAICS code as their primary NAICS code at a given location. It is assumed that the proposed language will reduce the currently taxable transactions. The three groups have been further broken down into their component NAICS codes and a menu of reduction factors have been applied to the taxable sales for each NAICS code. The IBIS World data has been incorporated into the reduction factor for NAICS code 561611 businesses.

There are 5 levels of taxable sales reductions used for the NAICS code expanded groups:

1. Taxable Sales for DACS Licensees in NAICS code 561611 are reduced by 76.9%.
  - a. Group A
  - b. NAICS code 561611
2. Taxable Sales for DACS Licensees in other Investigative NAICS Codes are reduced by 50%.
  - a. Group A
  - b. NAICS code 561612, 561621, and 561613
3. Taxable Sales for DACS licensees with a NAICS code not listed in s.212.05 F.S. are reduced by 25%.
  - a. Group B
  - b. not NAICS code 561611, 561612, 561613, or 561613.
4. Taxable sales for businesses in the PI NAICS code 561611, but without a matched DACS license are reduced by 76.9%.
  - a. Group C
  - b. NAICS code 561611
5. Taxable sales for businesses with NAICS Code 561612, 561613, 561621 w/o a matched DACS license are reduced by 5%.
  - a. Group C
  - b. NAICS code 561612, 561621, and 561613

**REVENUE ESTIMATING CONFERENCE**

**Tax:** Sales and Use Tax

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With all these reduction rates by NAICS code factored in the Group A effective reduction factor comes in at 58.9%, Group B has a 25% effective reduction factor, and Group C has a 10.2% effective reduction factor. Current taxes are compared to the taxes under the proposed change, and the difference is grown into the estimate period. The 1.5% growth rate used is consistent with previously adopted analysis for this issue (Impact Conference 9/28/2017). The low estimate uses only the amounts from Group A. The middle estimate uses the combined values of Group A and Group B. The High estimate uses the total for all groups.

There is a one-month lag to collections, and the first-year cash is equal to eleven months of the recurring.

**Section 4: Proposed Fiscal Impact**

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2020-21	\$(27.5 M)	\$(30.0 M)	\$(15.0 M)	\$(16.3 M)	\$(14.7 M)	\$(16.1 M)
2021-22	\$(30.4 M)	\$(30.4 M)	\$(16.6 M)	\$(16.6 M)	\$(16.3 M)	\$(16.3 M)
2022-23	\$(30.9 M)	\$(30.9 M)	\$(16.8 M)	\$(16.8 M)	\$(16.6 M)	\$(16.6 M)
2023-24	\$(31.3 M)	\$(31.3 M)	\$(17.1 M)	\$(17.1 M)	\$(16.8 M)	\$(16.8 M)
2024-25	\$(31.8 M)	\$(31.8 M)	\$(17.4 M)	\$(17.4 M)	\$(17.1 M)	\$(17.1 M)

**List of affected Trust Funds:** Sales and Use Tax

**Section 5: Consensus Estimate (Adopted: 12/06/2019):** The Conference adopted an adjusted low. The Conference made adjustments to the assumptions for exempt and taxable services.

	GR		Trust		Revenue Sharing		Local Half Cent	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2018-19	(7.9)	(8.6)	(Insignificant)	(Insignificant)	(0.3)	(0.3)	(0.8)	(0.8)
2019-20	(8.7)	(8.7)	(Insignificant)	(Insignificant)	(0.3)	(0.3)	(0.8)	(0.8)
2020-21	(8.9)	(8.9)	(Insignificant)	(Insignificant)	(0.3)	(0.3)	(0.9)	(0.9)
2021-22	(9.0)	(9.0)	(Insignificant)	(Insignificant)	(0.3)	(0.3)	(0.9)	(0.9)
2022-23	(9.1)	(9.1)	(Insignificant)	(Insignificant)	(0.3)	(0.3)	(0.9)	(0.9)

	Local Option		Total Local		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2020-21	(1.3)	(1.4)	(2.3)	(2.5)	(10.2)	(11.1)
2021-22	(1.4)	(1.4)	(2.5)	(2.5)	(11.2)	(11.2)
2022-23	(1.5)	(1.5)	(2.6)	(2.6)	(11.5)	(11.5)
2023-24	(1.5)	(1.5)	(2.6)	(2.6)	(11.6)	(11.6)
2024-25	(1.5)	(1.5)	(2.7)	(2.7)	(11.8)	(11.8)

	A	B	C	D	E	F	G	
1	<b>Group A: Licensed Private Investigators In specified NAICS codes matched into sales tax annual files</b>							
2	<b>Row Labels</b>	<b>Gross Sales</b>	<b>Exempt Sales</b>	<b>Taxable Sales</b>				
3	2016-17	\$ 646,244,461	\$ 299,190,241	\$ 401,978,843				
4	2017-18	\$ 716,491,586	\$ 337,513,721	\$ 435,006,049				
5	<b>Grand Total</b>	<b>\$ 2,085,076,900</b>	<b>\$ 949,441,964</b>	<b>\$ 1,247,706,072</b>				
6								
7	<b>Group B: Licensed Private Investigators with excluding the Specified NAICS codes Matched into Sales Tax annual files</b>							
8	<b>Row Labels</b>	<b>Gross Sales</b>	<b>Exempt Sales</b>	<b>Taxable Sales</b>				
9	2016-17	\$ 99,579,216	\$ 85,764,243	\$ 13,850,939				
10	2017-18	\$ 116,231,016	\$ 99,477,842	\$ 16,952,068				
11	<b>Grand Total</b>	<b>\$ 325,843,086</b>	<b>\$ 279,690,216</b>	<b>\$ 46,550,660</b>				
12								
13	<b>Group C: All other businesses in Specified NAICS codes Excluding Matched Licensed Private Investigators</b>							
14	<b>Row Labels</b>	<b>Gross Sales</b>	<b>Exempt Sales</b>	<b>Taxable Sales</b>				
15	2016-17	\$ 3,727,271,193	\$ 1,785,386,872	\$ 2,028,377,125				
16	2017-18	\$ 3,851,635,323	\$ 1,883,436,946	\$ 2,127,898,050				
17	<b>Grand Total</b>	<b>\$ 11,601,362,320</b>	<b>\$ 5,582,177,754</b>	<b>\$ 6,338,668,212</b>				
18								
19	<b>Percent of Currently Taxable Sales that will become Exempt under Proposed Language</b>							
20	All values in this table are calculated on the expanded NAICS Code Breakdown Spreadsheet*		Group A	35.5%				
21			Group B	15.0%				
22			Group C	8.0%				
23	*Revised to include IBIS World Data							
24								
25	2017-18	Current Taxable Sales	Taxable Sales Under Proposed Change	Difference	Sales Tax @ 6%			
26	Group A	\$ 435,006,049	\$ 280,423,700	\$ (154,582,348)	\$ (9,274,941)			
27	Group B	\$ 16,952,068	\$ 14,409,258	\$ (2,542,810)	\$ (152,569)			
28	Group C	\$ 2,127,898,050	\$ 1,957,212,550	\$ (170,685,500)	\$ (10,241,130)			
29								
30	<b>Growth rate</b>	As modified by conference as part of 2018 analysis of same issue ( 9/28/2017	Consumer Non-Durables 8/2019 GR					
31	2018-19	1.50%	4.40%					
32	2019-20	1.50%	3.30%					
33	2020-21	1.50%	4.50%					
34	2021-22	1.50%	3.90%					
35	2022-23	1.50%	3.70%					
36	2023-24	1.50%	3.60%					
37	2024-25	1.50%	3.70%					

	A	B	C	D	E	F	G
38							
39	Low: Uses only Group A						
40	Middle: Combination of Group A and B						
41	High : All Groups						
42	All Estimates use the 1.5% growth rate						
43							
44		High	Middle	Low			
45	FY	Recurring	Recurring	Recurring			
46	2018-19	\$ (19,963,669)	\$ (9,568,922)	\$ (9,414,065)			
47	2019-20	\$ (20,263,124)	\$ (9,712,456)	\$ (9,555,276)			
48	2020-21	\$ (20,567,071)	\$ (9,858,143)	\$ (9,698,605)			
49	2021-22	\$ (20,875,577)	\$ (10,006,015)	\$ (9,844,084)			
50	2022-23	\$ (21,188,711)	\$ (10,156,105)	\$ (9,991,745)			
51	2023-24	\$ (21,506,541)	\$ (10,308,447)	\$ (10,141,622)			
52	2024-25	\$ (21,829,139)	\$ (10,463,073)	\$ (10,293,746)			
53							
54	Sales Tax Impacts						
55		High		Middle		Low	
56	FY	Cash	Recurring	Cash	Recurring	Cash	Recurring
57	2020-21	\$ (18.9 M)	\$ (20.6 M)	\$ (9.0 M)	\$ (9.9 M)	\$ (8.9 M)	\$ (9.7 M)
58	2021-22	\$ (20.9 M)	\$ (20.9 M)	\$ (10.0 M)	\$ (10.0 M)	\$ (9.8 M)	\$ (9.8 M)
59	2022-23	\$ (21.2 M)	\$ (21.2 M)	\$ (10.2 M)	\$ (10.2 M)	\$ (10.0 M)	\$ (10.0 M)
60	2023-24	\$ (21.5 M)	\$ (21.5 M)	\$ (10.3 M)	\$ (10.3 M)	\$ (10.1 M)	\$ (10.1 M)
61	2024-25	\$ (21.8 M)	\$ (21.8 M)	\$ (10.5 M)	\$ (10.5 M)	\$ (10.3 M)	\$ (10.3 M)

Private Investigator Exemption

	A	B	C	D	F	G	H	I	
1	<b>Group A:</b> Licensed Private Investigators In specified NAICS codes matched into sales tax annual files								
2					Original	Based on IBIS			
3	In 561611 NAICS code w/ Active License				75.0%	46.7%			
4	In other Investigative NAICS Codes w/ Active DACS License				50.0%	30.0%			
5	NAICS code not listed in Statute w/ Active DACS License				25.0%	15.0%			
6	In 561611 NAICS code w/o Active License				10.0%	46.7%			
7	In other Investigative NAICS Codes w/o Active DACS License				5.0%	5.0%			
8									
9	<b>Row Labels</b>	<b>Sum of gross</b>	<b>Sum of exempt</b>	<b>Sum of taxable</b>	<b>% newly Exempt Taxable Sales</b>	<b>% newly Exempt Taxable Sales IBIS</b>	<b>Newly Exempt Sales (\$)</b>	<b>Newly Exempt Sales (\$)</b> IBIS	
10	<b>561611</b>								
11	2016-17	314,719,135	184,164,475	131,194,582	75%	46.7%	98,395,936	61,254,750	
12	2017-18	355,841,057	212,939,444	144,281,208	75%	46.7%	108,210,906	67,364,896	
13	<b>561612</b>								
14	2016-17	153,776,628	54,622,328	99,397,646	50%	30%	49,698,823	29,819,294	
15	2017-18	184,105,582	60,883,923	123,471,320	50%	30%	61,735,660	37,041,396	
16	<b>561621 + 561613</b>								
17	2016-17	177,748,698	60,403,438	171,386,615	50%	30%	85,693,308	51,415,985	
18	2017-18	176,544,947	63,690,354	167,253,521	50%	30%	83,626,760	50,176,056	
19	2017-18 Sub Totals			435,006,049			253,573,326	154,582,348	
20	Total % Newly Exempt for Group A						58.3%	35.5%	
21									

Private Investigator Exemption

	A	B	C	D	F	G	H	I	
22	<b>Group B: Licensed Private Investigators excluding the Specified NAICS codes Matched into Sales Tax annual files</b>								
23									
24	<b>Row Labels</b>	<b>Sum of gross</b>	<b>Sum of exempt</b>	<b>Sum of taxable</b>	<b>% newly Exempt Taxable Sales</b>	<b>% newly Exempt Taxable Sales IBIS</b>	<b>Newly Exempt Sales (\$)</b>	<b>Newly Exempt Sales (\$)</b> IBIS	
25	<b>443142</b>								
26	2016-17	2,556,431	1,660,942	895,489	25%	15.0%	223,872	134,323	
27	2017-18	2,265,690	1,481,483	784,207	25%	15.0%	196,052	117,631	
28	<b>451110</b>								
29	2016-17	295,311	95,931	199,380	25%	15.0%	49,845	29,907	
30	2017-18	559,572	156,537	403,035	25%	15.0%	100,759	60,455	
31	<b>453998</b>								
32	2016-17	17,873	0	17,873	25%	15.0%	4,468	2,681	
33	2017-18	18,661	0	18,661	25%	15.0%	4,665	2,799	
34	<b>454390</b>								
35	2016-17	1,987,258	66,507	1,920,752	25%	15.0%	480,188	288,113	
36	2017-18	2,177,611	59,844	2,117,767	25%	15.0%	529,442	317,665	
37	<b>531120</b>								
38	2016-17	22,949,983	22,683,112	266,886	25%	15.0%	66,721	40,033	
39	2017-18	24,357,263	23,017,492	1,342,788	25%	15.0%	335,697	201,418	
40	<b>541990</b>								
41	2016-17	46,020	10,583	35,438	25%	15.0%	8,859	5,316	
42	2017-18	196,886	85,221	111,664	25%	15.0%	27,916	16,750	
43	<b>561720</b>								
44	2016-17	10,236,119	3,794,617	6,462,374	25%	15.0%	1,615,594	969,356	
45	2017-18	10,568,581	3,942,068	6,659,280	25%	15.0%	1,664,820	998,892	
46	<b>999999</b>								
47	2016-17	61,490,220	57,452,551	4,052,747	25%	15.0%	1,013,187	607,912	
48	2017-18	76,086,753	70,735,197	5,514,666	25%	15.0%	1,378,666	827,200	
49	2017-18 Sub Totals			16,952,068			4,238,017	2,542,810	
50	Total % Newly Exempt for Group B						25.0%	15.0%	

	A	B	C	D	F	G	H	I
51								
52	<b>Group C: All other businesses in Specified NAICS codes Excluding Matched Licensed Private Investigators</b>							
53								
54	<b>Row Labels</b>	<b>Sum of gross</b>	<b>Sum of exempt</b>	<b>Sum of taxable</b>	<b>% newly Exempt Taxable Sales</b>	<b>% newly Exempt Taxable Sales IBIS</b>	<b>Newly Exempt Sales (\$)</b>	<b>Newly Exempt Sales (\$)</b> IBIS
55	<b>561611</b>							
56	2016-17	322,228,908	169,068,625	154,191,594	10%	46.7%	15,419,159	71,992,055
57	2017-18	299,783,403	147,633,054	154,029,164	10%	46.7%	15,402,916	71,916,217
58	<b>561612</b>							
59	2016-17	840,238,219	348,969,875	494,238,734	5%	5.0%	24,711,937	24,711,937
60	2017-18	912,219,058	396,483,072	521,873,449	5%	5.0%	26,093,672	26,093,672
61	<b>561613</b>							
62	2016-17	145,738,077	68,691,956	77,719,184	5%	5.0%	3,885,959	3,885,959
63	2017-18	156,499,681	75,375,277	82,474,017	5%	5.0%	4,123,701	4,123,701
64	<b>561621</b>							
65	2016-17	2,419,065,989	1,198,656,416	1,302,227,613	5%	5.0%	65,111,381	65,111,381
66	2017-18	2,483,133,181	1,263,945,543	1,369,521,419	5%	5.0%	68,476,071	68,476,071
67	2017-18 Sub Totals			2,127,898,050			114,112,604	170,685,500
68	Total % Newly Exempt for Group C						5.4%	8.0%

	A	B	C	D	E	F	H	I
1	<b>IBIS World 2019 US Private Detective* Services Summary Data</b>							
2	*The report appears to narrowly address Private Detective Services as only activities that would occur under NAICS code 561611							
3								
4	<b>Products and Services (\$)</b>							
5	US			\$ 6,600,000,000				
6	Florida portion by Pop. Share @ 6.42%			\$ 423,949,833				
7	Sales tax @ 6%			\$ 25,436,990				
8								
9	<b>Products and Services (Composition)</b>			IBIS Shares	% exempt	% taxable		
10	Pre-employment services (incl. Background checks)	Taxable		45.7%	80%	9.1%		
11	Legal Investigation Services	Partially exempt		25.4%	25%	19.1%		
12	Insurance Investigation Services	Exempt		10.4%	100%	0.0%		
13	Corporate Investigation Services	Taxable		7.3%	0%	7.3%		
14	Domestic and Family Investigation Services	Taxable		6.1%	0%	6.1%		
15	Other Investigation Services	Taxable		5.1%	0%	5.1%		
16	Total			100.0%		46.7%		
17								
18	<b>561611 Exemption Calculated based on IBIS World Values and Percentages</b>							
19	Sales tax @ 6%			\$ 25,436,990				
20	% Exempt Under Proposed Language			46.7%				
21	Exemption Value (\$M)			\$ (11.88)				



	A	B	C	D	E	F	G	H
2		<b>Data obtained by FL association of licensed investigators</b>						
3		# of licensees	sum of gross	sum of taxable	sales tax @ %6			
4		88	\$ 17,270,226	\$ 1,683,299	\$ 100,998			
5		per capita	\$ 196,253	\$ 19,128	\$ 1,147.70			
6		7,297	\$ 1,432,055,007	\$ 139,579,894	\$ 8,374,794			
7								
8		# of Licensees*	7,297					
9		Yearly Hours	2,000	1,500	1,250			
10		In State Hour %	60%	50%	40%			
11		Total Hours of All licensees	8,756,400	5,472,750	3,648,500			
12		*7218 Class "C" & 79 Class "MA"						
13								
14			\$ Per Hour					
15		High	\$ 90.00					
16		Middle	\$ 45.00					
17		Low	\$ 35.00					
18								
19		<b>Sales Tax Impact Table :: Taxable Hours Analysis</b>						
20			High	Middle	Low			
21		FY	Cash	Recurring	Cash	Recurring	Cash	Recurring
22		2020-21	\$ (18.9 M)	\$ (20.6 M)	\$ (9.0 M)	\$ (9.9 M)	\$ (8.9 M)	\$ (9.7 M)
23		2021-22	\$ (20.9 M)	\$ (20.9 M)	\$ (10.0 M)	\$ (10.0 M)	\$ (9.8 M)	\$ (9.8 M)
24		2022-23	\$ (21.2 M)	\$ (21.2 M)	\$ (10.2 M)	\$ (10.2 M)	\$ (10.0 M)	\$ (10.0 M)
25		2023-24	\$ (21.5 M)	\$ (21.5 M)	\$ (10.3 M)	\$ (10.3 M)	\$ (10.1 M)	\$ (10.1 M)
26		2024-25	\$ (21.8 M)	\$ (21.8 M)	\$ (10.5 M)	\$ (10.5 M)	\$ (10.3 M)	\$ (10.3 M)
27								
28		<b>Newly Exempt Hours per License*</b>						
29			High	Middle	Low			
30		FY	Recurring	Recurring	Recurring			
31		2020-21	31.32	30.02	37.97			
32		2021-22	31.79	30.47	38.54			
33		2022-23	32.26	30.93	39.12			
34		2023-24	32.75	31.39	39.71			
35		2024-25	33.24	31.86	40.31			
36		*(impact / Price Per Hour / # of Licenses)						