

REVENUE ESTIMATING CONFERENCE

Tax: Ad Valorem

Issue: Disability Expansion

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

☒ **Entire Bill**

☐ **Partial Bill:**

Sponsor(s): NA

Month/Year Impact Begins: July 1, 2020

Date of Analysis: December 4, 2019

Section 1: Narrative

a. Current Law:

Article VII Section 3(b) of the Florida Constitution provides: There shall be exempt from taxation, cumulatively, to every head of a family residing in this state, household goods and personal effects to the value fixed by general law, not less than one thousand dollars, and to every widow or widower or person who is blind or totally and permanently disabled, property to the value fixed by general law not less than five hundred dollars.

Section 196.101, Subsection 4(a) states "[a] person entitled to the exemption in subsection (2) must be a permanent resident of this state. Submission of an affidavit that the applicant claiming the exemption under subsection (2) is a permanent resident of this state is prima facie proof of such residence. However, the gross income of all persons residing in or upon the homestead for the prior year shall not exceed \$14,500. For the purposes of this section, the term "gross income" includes the United States Department of Veterans Affairs benefits and any social security benefits paid to the persons.

"(b) The maximum income limitations permitted in this subsection shall be adjusted annually on January 1, beginning January 1, 1990, by the percentage change in the average cost-of-living index in the period January 1 through December 31 of the immediate prior year compared with the same period for the year prior to that. The index is the average of the monthly consumer price index figures for the stated 12-month period, relative to the United States as a whole, issued by the United States Department of Labor.

"(c) The department shall require by rule that the taxpayer annually submit a sworn statement of gross income, pursuant to paragraph (a). The department shall require that the filing of such statement be accompanied by copies of federal income tax returns for the prior year, wage and earnings statements (W-2 forms), and other documents it deems necessary, for each member of the household. The taxpayer's statement shall attest to the accuracy of such copies. The department shall prescribe and furnish a form to be used for this purpose which form shall include spaces for a separate listing of United States Department of Veterans Affairs benefits and social security benefits. All records produced by the taxpayer under this paragraph are confidential in the hands of the property appraiser, the department, the tax collector, the Auditor General, and the Office of Program Policy Analysis and Government Accountability and shall not be divulged to any person, firm, or corporation except upon court order or order of an administrative body having quasi-judicial powers in ad valorem tax matters, and such records are exempt from the provisions of s. 119.07(1)."

b. Proposed Change:

This proposed language removes the income limitations. Subsection 4 of Section 196.101 is revised to read only "A person entitled to the exemption in subsection (2) must be a permanent resident of this state. Submission of an affidavit that the applicant claiming the exemption under subsection (2) is a permanent resident of this state is prima facie proof of such residence." Designation of Paragraph (a) is removed, as are Paragraphs (b) and (c) in their entirety.

Section 2. Paragraph (a) of subsection (4) of section 192.0105, Florida Statutes, is amended to remove references to Paragraphs (a) and (c) of subsection (4).

Section 2: Description of Data and Sources

2018F NAL File

REC Ad Valorem Assessments Conference Package - August 5, 2019

Section 3: Methodology (Include Assumptions and Attach Details)

To determine the pool of impacted parcels, the 2018 NAL file was filtered to identify the number of parcels claiming disability exemptions. F.S. 196.202 grants Exemptions 31 and 34 of \$500 each to totally and permanently disabled persons and blind persons, while F.S. 196.101 grants total homestead exemption under Exemption 8 to only those same individuals who fall below an income threshold. As such, any parcel that had remaining taxable value after receiving these exemptions fell into the pool of impacted parcels.

Remaining taxable value from those receiving certain exemption values under Exemption 8 were also included in the impact because three counties appeared to place exemptions that should have been in Exemptions 31 and 34 into Exemption 8. The largest contributor, Brevard County, had nearly 4,000 instances of multiples of \$500 (the exemption amount for an individual under Exmpt. 31 and 34) filed as Exmpt. 8, which should have been a complete exemption for qualified individuals. As such, it

REVENUE ESTIMATING CONFERENCE

Tax: Ad Valorem

Issue: Disability Expansion

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

was assumed that these individuals would correctly be completely exempt under the new language, and thus their remaining taxable value was included in the impact.

The exemption value was grown forward using the growth rate of Assessed Value Homestead from the most recent Ad Valorem Revenue Estimating Conference. It is assumed that these values would grow proportionally.

The remaining school and county taxable value was summed and multiplied by their respective 2018 statewide millage rates districts for the low estimate.

The middle estimate is calculated similarly, but assumes a gradual increase in participation by eligible parties, by 2.5% per year, up to 10%.

The high estimate is calculated similarly, but assumes a gradual increase in participation by eligible parties, by 5% per year, up to 20%.

Revised 12/10/2019: The middle estimate has been modified to reflect the discussion from the 12/6/2019 Impact Conference. The current pool identified as receiving the \$500 disability exemption are grown by the Homestead Assessed Value (AV) growth rates. The increased participation rates are applied to the current pool in each year. The amount of increased participation for each year is grown by the Homestead AV growth rates. The growth for the increased participation amounts start the year after they are first included.

Section 4: Proposed Fiscal Impact

Year	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2020-21	\$ -	\$ (140.5 M)	\$ -	\$ (140.5 M)	\$ -	\$(140.5 M)
2021-22	\$ (150.0 M)	\$ (150.0 M)	\$(180.0 M)	\$ (180.0 M)	\$(150.0 M)	\$(150.0 M)
2022-23	\$ (169.0 M)	\$ (169.0 M)	\$(193.2 M)	\$ (193.2 M)	\$(161.0 M)	\$(161.0 M)
2023-24	\$ (189.3 M)	\$ (189.3 M)	\$(223.7 M)	\$ (223.7 M)	\$(172.1 M)	\$(172.1 M)
2024-25	\$ (211.2 M)	\$ (211.2 M)	\$(252.5 M)	\$ (252.5 M)	\$(183.6 M)	\$(183.6 M)
2025-26	\$ (235.0 M)	\$ (235.0 M)	\$(279.0 M)	\$ (279.0 M)	\$(195.8 M)	\$(195.8 M)

List of affected Trust Funds: Ad Valorem

Section 5: Consensus Estimate (Adopted: 12/13/2019): The Conference adopted the middle estimate. The Conference adopted the recurring impact for Fiscal Year 2025-26 as the recurring impact.

	School		Non-School		Total Local/Other	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2020-21	0.0	(124.2)	0.0	(154.9)	0.0	(279.0)
2021-22	(80.1)	(124.2)	(99.9)	(154.9)	(180.0)	(279.0)
2022-23	(86.0)	(124.2)	(107.2)	(154.9)	(193.2)	(279.0)
2023-24	(99.5)	(124.2)	(124.1)	(154.9)	(223.7)	(279.0)
2024-25	(112.4)	(124.2)	(140.1)	(154.9)	(252.5)	(279.0)

	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	(279.0)	0.0	(279.0)
2021-22	0.0	0.0	0.0	0.0	(180.0)	(279.0)	(180.0)	(279.0)
2022-23	0.0	0.0	0.0	0.0	(193.2)	(279.0)	(193.2)	(279.0)
2023-24	0.0	0.0	0.0	0.0	(223.7)	(279.0)	(223.7)	(279.0)
2024-25	0.0	0.0	0.0	0.0	(252.5)	(279.0)	(252.5)	(279.0)

12/13/2019

	A	B	C	D	E	F	G
1	School Impact						
2	Year	High		Middle		Low	
3		Cash	Recurring	Cash	Recurring	Cash	Recurring
4	2020-21	\$ -	\$ (62.5 M)	\$ -	\$ (62.5 M)	\$ -	\$ (62.5 M)
5	2021-22	\$ (66.7 M)	\$ (66.7 M)	\$ (80.1 M)	\$ (80.1 M)	\$ (66.7 M)	\$ (66.7 M)
6	2022-23	\$ (71.6 M)	\$ (71.6 M)	\$ (86.0 M)	\$ (86.0 M)	\$ (71.6 M)	\$ (71.6 M)
7	2023-24	\$ (76.6 M)	\$ (76.6 M)	\$ (99.5 M)	\$ (99.5 M)	\$ (76.6 M)	\$ (76.6 M)
8	2024-25	\$ (81.7 M)	\$ (81.7 M)	\$ (112.4 M)	\$ (112.4 M)	\$ (81.7 M)	\$ (81.7 M)
9	2025-26	\$ (87.1 M)	\$ (87.1 M)	\$ (124.2 M)	\$ (124.2 M)	\$ (87.1 M)	\$ (87.1 M)
10							
11	Non-School Impact						
12	Year	High		Middle		Low	
13		Cash	Recurring	Cash	Recurring	Cash	Recurring
14	2020-21	\$ -	\$ (78.0 M)	\$ -	\$ (78.0 M)	\$ -	\$ (78.0 M)
15	2021-22	\$ (83.2 M)	\$ (83.2 M)	\$ (99.9 M)	\$ (99.9 M)	\$ (83.2 M)	\$ (83.2 M)
16	2022-23	\$ (89.3 M)	\$ (89.3 M)	\$ (107.2 M)	\$ (107.2 M)	\$ (89.3 M)	\$ (89.3 M)
17	2023-24	\$ (95.5 M)	\$ (95.5 M)	\$ (124.1 M)	\$ (124.1 M)	\$ (95.5 M)	\$ (95.5 M)
18	2024-25	\$ (101.9 M)	\$ (101.9 M)	\$ (140.1 M)	\$ (140.1 M)	\$ (101.9 M)	\$ (101.9 M)
19	2025-26	\$ (108.7 M)	\$ (108.7 M)	\$ (154.9 M)	\$ (154.9 M)	\$ (108.7 M)	\$ (108.7 M)
20							
21	Total Impact						
22	Year	High		Middle		Low	
23		Cash	Recurring	Cash	Recurring	Cash	Recurring
24	2020-21	\$ -	\$ (140.5 M)	\$ -	\$ (140.5 M)	\$ -	\$ (140.5 M)
25	2021-22	\$ (150.0 M)	\$ (150.0 M)	\$ (180.0 M)	\$ (180.0 M)	\$ (150.0 M)	\$ (150.0 M)
26	2022-23	\$ (169.0 M)	\$ (169.0 M)	\$ (193.2 M)	\$ (193.2 M)	\$ (161.0 M)	\$ (161.0 M)
27	2023-24	\$ (189.3 M)	\$ (189.3 M)	\$ (223.7 M)	\$ (223.7 M)	\$ (172.1 M)	\$ (172.1 M)
28	2024-25	\$ (211.2 M)	\$ (211.2 M)	\$ (252.5 M)	\$ (252.5 M)	\$ (183.6 M)	\$ (183.6 M)
29	2025-26	\$ (235.0 M)	\$ (235.0 M)	\$ (279.0 M)	\$ (279.0 M)	\$ (195.8 M)	\$ (195.8 M)
30							

	A	B	C	D	E	F	G	H
1	Proposed Language Disability Expansion							
2	Date of Analysis: 12/4/2019							
3	Analyst: Brenda Hillebrandt							
4								
5	Current Exemptions							
6								
	EXMPT_08			EXMPT_31 and _34				
7	Tax District	School Taxable Val	County Taxable Val	School Taxable Val	County Taxable Val			
8	Parcels	3,995		89,816				
9	Total Value	\$ 319,298,937	\$ 234,183,549	\$ 8,137,507,127	\$ 6,067,010,011			
10	Note: These exemptions are not mutually exclusive							
11	Source: 2018F NAL File, filtered to include only parcels with remaining TV, and with one of the above exemptions							
12								
13	Current-Law Remaining TV							
14	School	County	Sum					
15	TV	\$ 8,456,806,064	\$ 6,301,193,560					
16	Millage Rate	6.4596	10.8122					
17	Taxes	\$ 54,627,584.45	\$ 68,129,765.01	\$ 122,757,349.46				
18								

	A	B	C	D	E	F	G	H
19								
20	Low Estimate							
21		Roll Year	Homestead AV Total	Annual Growth	School Impact	County Impact	Total Impact	
22		2018	\$ 816,412,856,635		\$ (54,627,584)	\$ (68,129,765)	\$ (122,757,349)	
23		2019	\$ 870,030,447,076	6.567%	\$ (58,215,229)	\$ (72,604,160)	\$ (130,819,390)	
24		2020	\$ 934,650,412,531	7.427%	\$ (62,539,062)	\$ (77,996,705)	\$ (140,535,767)	
25	First year of impact	2021	\$ 997,331,356,210	6.706%	\$ (66,733,152)	\$ (83,227,439)	\$ (149,960,590)	
26		2022	\$ 1,070,521,110,695	7.339%	\$ (71,630,404)	\$ (89,335,134)	\$ (160,965,537)	
27		2023	\$ 1,144,245,130,869	6.887%	\$ (76,563,404)	\$ (95,487,413)	\$ (172,050,817)	
28		2024	\$ 1,221,208,455,775	6.726%	\$ (81,713,152)	\$ (101,910,013)	\$ (183,623,166)	
29		2025	\$ 1,302,307,508,173	6.641%	\$ (87,139,629)	\$ (108,677,740)	\$ (195,817,369)	
30		2026	\$ 1,392,154,526,443	6.899%	\$ (93,151,447)	\$ (116,175,486)	\$ (209,326,933)	
31			Source: REC Detailed Report from Governor's office, Cell BE14					
32								
33								
34	Middle Estimate - Current pool with AV Growth (incl. some elements of Pop. Change)							
35		Roll Year	Homestead AV Total	Annual Growth	Participation Increase	School Impact	County Impact	Sub-total
36		2018	\$ 816,412,856,635		0.0%	\$ (54,627,584)	\$ (68,129,765)	\$ (122,757,349)
37		2019	\$ 870,030,447,076	6.567%	0.0%	\$ (58,215,229)	\$ (72,604,160)	\$ (130,819,390)
38		2020	\$ 934,650,412,531	7.427%	0.0%	\$ (62,539,062)	\$ (77,996,705)	\$ (140,535,767)
39	First Year of Impact	2021	\$ 997,331,356,210	6.706%	20.0%	\$ (66,733,152)	\$ (83,227,439)	\$ (149,960,590)
40		2022	\$ 1,070,521,110,695	7.339%	10.0%	\$ (71,630,404)	\$ (89,335,134)	\$ (160,965,537)
41		2023	\$ 1,144,245,130,869	6.887%	7.5%	\$ (76,563,404)	\$ (95,487,413)	\$ (172,050,817)
42		2024	\$ 1,221,208,455,775	6.726%	5.0%	\$ (81,713,152)	\$ (101,910,013)	\$ (183,623,166)
43		2025	\$ 1,302,307,508,173	6.641%	2.5%	\$ (87,139,629)	\$ (108,677,740)	\$ (195,817,369)
44		2026	\$ 1,392,154,526,443	6.899%	2.5%	\$ (93,151,447)	\$ (116,175,486)	\$ (209,326,933)
45								
46	Middle Estimate - New Participants Only with AV growth					New Participants		
47		Roll Year	Homestead AV Total	Annual Growth	Participation Increase	School Impact	County Impact	
48		2018	\$ 816,412,856,635		0.0%	\$ -	\$ -	
49		2019	\$ 870,030,447,076	6.567%	0.0%	\$ -	\$ -	
50		2020	\$ 934,650,412,531	7.427%	0.0%	\$ -	\$ -	
51	First Year of Impact	2021	\$ 997,331,356,210	6.706%	20.0%	\$ (13,346,630)	\$ (16,645,488)	
52		2022	\$ 1,070,521,110,695	7.339%	10.0%	\$ (7,163,040)	\$ (8,933,513)	
53		2023	\$ 1,144,245,130,869	6.887%	7.5%	\$ (5,742,255)	\$ (7,161,556)	
54		2024	\$ 1,221,208,455,775	6.726%	5.0%	\$ (4,085,658)	\$ (5,095,501)	
55		2025	\$ 1,302,307,508,173	6.641%	2.5%	\$ (2,178,491)	\$ (2,716,944)	
56		2026	\$ 1,392,154,526,443	6.899%	2.5%	\$ (2,328,786)	\$ (2,904,387)	

	A	B	C	D	E	F	G	H
57								
58	Middle Estimate - New Participants Only with AV growth Continued							
59			Cumulative AV w/ growth		New Participants w/ growth + Current Pool			
60		Roll Year	School Impact	County Impact	School Impact	County Impact	Total	
61		2018	\$ -	\$ -	\$ -	\$ -	\$ -	
62		2019	\$ -	\$ -	\$ -	\$ -	\$ -	
63		2020	\$ -	\$ -	\$ (62,539,062)	\$ (77,996,705)	\$ (140,535,767)	
64	First Year of Impact	2021	\$ (13,346,630)	\$ (16,645,488)	\$ (80,079,782)	\$ (99,872,926)	\$ (179,952,708)	
65		2022	\$ (14,326,081)	\$ (17,867,027)	\$ (85,956,484)	\$ (107,202,160)	\$ (193,158,645)	
66		2023	\$ (22,969,021)	\$ (28,646,224)	\$ (99,532,425)	\$ (124,133,637)	\$ (223,666,063)	
67		2024	\$ (30,642,432)	\$ (38,216,255)	\$ (112,355,584)	\$ (140,126,268)	\$ (252,481,853)	
68		2025	\$ (37,034,342)	\$ (46,188,040)	\$ (124,173,971)	\$ (154,865,780)	\$ (279,039,751)	
69		2026	\$ (41,918,151)	\$ (52,278,969)	\$ (135,069,598)	\$ (168,454,455)	\$ (303,524,053)	
70								
71								
72	High Estimate							
73		Roll Year	Homestead AV Total	Annual Growth	School Impact	County Impact	Participation Increase	Total Impact
74		2018	\$ 816,412,856,635		\$ (54,627,584)	\$ (68,129,765)	0.0%	\$ (122,757,349.46)
75		2019	\$ 870,030,447,076	6.567%	\$ (58,215,229)	\$ (72,604,160)	0.0%	\$ (130,819,389.68)
76		2020	\$ 934,650,412,531	7.427%	\$ (62,539,062)	\$ (77,996,705)	0.0%	\$ (140,535,767.39)
77	First Year of Impact	2021	\$ 997,331,356,210	6.706%	\$ (66,733,152)	\$ (83,227,439)	0.0%	\$ (149,960,590.19)
78		2022	\$ 1,070,521,110,695	7.339%	\$ (71,630,404)	\$ (89,335,134)	5.0%	\$ (169,013,814.12)
79		2023	\$ 1,144,245,130,869	6.887%	\$ (76,563,404)	\$ (95,487,413)	10.0%	\$ (189,255,899.25)
80		2024	\$ 1,221,208,455,775	6.726%	\$ (81,713,152)	\$ (101,910,013)	15.0%	\$ (211,166,640.44)
81		2025	\$ 1,302,307,508,173	6.641%	\$ (87,139,629)	\$ (108,677,740)	20.0%	\$ (234,980,843.21)
82		2026	\$ 1,392,154,526,443	6.899%	\$ (93,151,447)	\$ (116,175,486)	20.0%	\$ (251,192,320.14)

	A	B	C	D	E	F	G	H
1	County #	County Name	Exemptions 31 and 34			Exemption 8 - Certain parcels		
2			School Taxable Value Impact	County Taxable Value Impact	Parcel Count	School Taxable Value Impact	County Taxable Value Impact	Parcel Count
3	11	Alachua	\$ 46,375,251	\$ 33,657,065	634			
4	12	Baker	\$ 14,403,821	\$ 9,397,734	288			
5	13	Bay	\$ 63,552,108	\$ 44,618,809	836			
6	14	Bradford	\$ 12,172,166	\$ 8,726,827	261			
7	15	Brevard	\$ 15,063,826	\$ 10,977,046	184	\$ 319,179,436	\$ 234,113,691	3,989
8	16	Broward	\$ 474,904,510	\$ 360,596,620	4,232			
9	17	Calhoun	\$ 804,167	\$ 428,667	25			
10	18	Charlotte	\$ 304,543,835	\$ 237,770,614	2,916			
11	19	Citrus	\$ 197,891,382	\$ 152,437,835	2,959			
12	20	Clay	\$ 128,506,911	\$ 93,177,573	1,492	\$ 5,774	\$ 32,744	1
13	21	Collier	\$ 100,682,165	\$ 85,928,890	489			
14	22	Columbia	\$ 23,887,799	\$ 15,968,003	456			
15	23	Dade	\$ 630,381,644	\$ 415,621,307	5,430			
16	24	Desoto	\$ 17,781,890	\$ 11,369,078	349			
17	25	Dixie	\$ 5,227,664	\$ 4,074,054	196			
18	26	Duval	\$ 274,318,687	\$ 202,294,409	3,569			
19	27	Escambia	\$ 153,344,821	\$ 104,941,365	2,362			
20	28	Flagler	\$ 140,693,331	\$ 99,739,313	1,235			
21	29	Franklin	\$ 8,263,344	\$ 5,714,172	127			
22	30	Gadsden	\$ 7,613,237	\$ 5,629,754	137			
23	31	Gilchrist	\$ 8,000,557	\$ 5,426,634	167			
24	32	Glades	\$ 6,681,576	\$ 4,598,422	147			
25	33	Gulf	\$ 7,557,035	\$ 5,668,568	108			
26	34	Hamilton	\$ 4,183,573	\$ 2,598,487	127			
27	35	Hardee	\$ 8,113,388	\$ 5,353,096	189			
28	36	Hendry	\$ 11,802,277	\$ 7,817,714	268			
29	37	Hernando	\$ 125,296,814	\$ 80,616,203	1,898			
30	38	Highlands	\$ 73,676,161	\$ 50,780,098	1,355			
31	39	Hillsborough	\$ 388,434,866	\$ 282,797,934	4,498			
32	40	Holmes	\$ 2,903,705	\$ 1,700,068	70			
33	41	Indian River	\$ 274,653,086	\$ 224,216,862	2,160			
34	42	Jackson	\$ 18,022,648	\$ 13,238,294	397			
35	43	Jefferson	\$ 12,876,150	\$ 9,615,468	237			

	A	B	C	D	E	F	G	H
36	44	Lafayette	\$ 685,131	\$ 490,137	19			
37	45	Lake	\$ 215,041,570	\$ 152,782,990	2,303			
38	46	Lee	\$ 339,693,863	\$ 267,507,974	2,849			
39	47	Leon	\$ 46,408,682	\$ 36,508,349	476			
40	48	Levy	\$ 21,911,891	\$ 14,565,756	491	\$ 113,727	\$ 37,114	5
41	49	Liberty	\$ 881,237	\$ 337,127	24			
42	50	Madison	\$ 10,573,715	\$ 7,319,057	237			
43	51	Manatee	\$ 174,971,858	\$ 144,992,176	1,309			
44	52	Marion	\$ 157,555,333	\$ 120,718,453	2,439			
45	53	Martin	\$ 84,989,439	\$ 71,064,695	606			
46	54	Monroe	\$ 81,706,493	\$ 72,276,290	291			
47	55	Nassau	\$ 41,800,436	\$ 32,180,695	445			
48	56	Oakaloosa	\$ 45,309,999	\$ 34,350,082	470			
49	57	Okeechobee	\$ 19,173,344	\$ 13,112,790	400			
50	58	Orange	\$ 266,972,649	\$ 202,110,994	2,607			
51	59	Osceola	\$ 193,181,177	\$ 138,263,023	2,164			
52	60	Palm Beach	\$ 433,772,537	\$ 355,260,026	3,355			
53	61	Pasco	\$ 170,930,661	\$ 134,145,409	2,551			
54	62	Pinellas	\$ 411,376,505	\$ 330,238,682	4,742			
55	63	Polk	\$ 218,010,333	\$ 145,399,937	3,766			
56	64	Putnam	\$ 34,506,687	\$ 23,056,569	725			
57	65	Saint Johns	\$ 104,854,893	\$ 82,939,598	812			
58	66	Saint Lucie	\$ 372,615,315	\$ 267,420,773	4,196			
59	67	Santa Rosa	\$ 90,993,513	\$ 64,544,828	1,127			
60	68	Sarasota	\$ 141,988,908	\$ 117,672,861	1,112			
61	69	Seminole	\$ 159,738,735	\$ 109,070,689	1,610			
62	70	Sumter	\$ 183,989,510	\$ 152,618,186	1,428			
63	71	Suwannee	\$ 25,138,606	\$ 17,646,344	502			
64	72	Taylor	\$ 5,385,604	\$ 3,966,184	143			
65	73	Union	\$ 5,885,023	\$ 4,028,722	157			
66	74	Volusia	\$ 419,588,336	\$ 280,268,369	5,544			
67	75	Wakulla	\$ 7,302,965	\$ 4,765,696	137			
68	76	Walton	\$ 77,086,608	\$ 61,387,954	728			
69	77	Washington	\$ 10,871,176	\$ 6,501,613	253			
70		Statewide	\$ 8,137,507,127	\$ 6,067,010,011	89,816	\$ 319,298,937	\$ 234,183,549	3,995
71								
72		Source: 2018F NAL Roll: output from SPSS and R						
73								

REVENUE ESTIMATING CONFERENCE

Tax: Corporate Income Tax

Issue: Sales as Single Apportionment Factor

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

☒ **Entire Bill**

☐ **Partial Bill:**

Sponsor(s): N/A

Month/Year Impact Begins: May 2023

Date of Analysis: 12/2/2019

Section 1: Narrative

- a. **Current Law:** Section 220.153, Florida Statutes, provides that a taxpayer, not including a financial organization as defined in s. 220.15(6) or a bank, savings association, international banking facility, or banking organization as defined in s. 220.62 who applies and demonstrates to the department of Economic Opportunity that, within a two year period beginning on or after July 1, 2011, it has made qualified capital expenditures equal to or exceeding \$250 million may apportion its adjusted federal income solely by the sales factor, commencing in the taxable year that the Department of Economic Opportunity approves the application, but not before a taxable year that begins on or after January 1, 2013. Subsection 1 of s. 220.153 defines “qualified capital expenditure” to mean expenditures in this state for purposes substantially related to a business’s production or sale of goods and services. The expenditures must fund the acquisition of additional real property (land, buildings, including appurtenances, fixtures and fixed equipment, structures, etc.), including additions, replacements, major repairs, and renovations to real property that materially extend its useful life or change its functional use and the furniture and equipment necessary to furnish and operate a new facility. The term does not include an expenditure for a passive investment or an investment intended for the accumulation of reserves or the realization of profit for distribution to any person holding an ownership interest in the business. The term does not include expenditures to acquire an existing business or expenditures in excess of \$125 M to acquire land or buildings.

Section 220.15(6) reads: the term “financial organization” as used in this section, includes any bank, trust company, savings bank, industrial bank, land bank, safe-deposit company, private banker, savings and loan association, credit union, cooperative bank, small loan company, sales finance company, or investment company.

Section 220.62(4) reads:

The term “banking organization” means:

- (a) A bank organized and existing under the laws of any state;
- (b) A national bank organized and existing as a national banking association pursuant to the provisions of the National Bank Act, 12 U.S.C. ss. 21 et seq.;
- (c) An Edge Act corporation organized pursuant to the provisions of s. 25(a) of the Federal Reserve Act, 12 U.S.C. ss. 611 et seq.;
- (d) An international bank agency licensed pursuant to the laws of any state;
- (e) A federal agency licensed pursuant to ss. 4 and 5 of the International Banking Act of 1978;
- (f) A savings association organized and existing under the laws of any state; or
- (g) A federal association organized and existing pursuant to the provisions of the Home Owners’ Loan Act of 1933, 12 U.S.C. ss. 1461 et seq.

- b. **Proposed Change:** the proposed language reduces the required qualified expenditures from \$250 M to \$100 M. Reduces the amount that can be claimed for the acquisition of land or buildings from \$125 M to \$50 M. Requires the two-year measurement period to begin on or after July 1, 2020. Provides that an eligible taxpayer may use the single sales factor method of apportionment in the year approved by DEO, but not before a taxable year that begins on or after January 1, 2022

Section 2: Description of Data and Sources

2016 and 2017 Modernized E-File (MEF) Corporate Dataset

2016 and 2017 Corporate Income Tax File

August 14, 2019 General Revenue Estimating Conference CIT Growth Rates

February 23, 2018 General Revenue Estimating Conference CIT forecast for 2018-19

2018-19 Actual CIT receipts

REVENUE ESTIMATING CONFERENCE

Tax: Corporate Income Tax

Issue: Sales as Single Apportionment Factor

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

Section 3: Methodology (Include Assumptions and Attach Details)

The 2016 and 2017 MEF data files were used as the primary dataset for this analysis as they contain all of the apportionment information as opposed to the annual data set, which has only certain information from the return pertaining to the apportionment calculations. The sales factor was compared to the total apportionment factor to identify those entities that would have had a lower apportionment factor if only the sales factor were used. Those entities were flagged. The apportionment information from the F-1120 was also used to identify those entities that were likely to have sufficient investment to meet the \$100 M requirement over two year with two methodologies As part of the apportionment calculation, the taxpayer provides the value of buildings and other depreciable assets, land and other tangible assets (financial institutions also provide intangible assets with tangible assets, but they are not eligible for the single sales factor apportionment) at the beginning and the end of the year. For method 1 - As the investment can occur over a two-year period, a lower bound of additional property was used to determine a possible pool likely to be eligible to apportion by sales factor alone. For the low, an amount of \$50M was used, for the middle \$45M, and for the high \$40M. Financial organizations were identified by name and flagged to exclude from the impact. The adjusted federal income was determined using the taxable federal income multiplied by the sales factor and compared to the current law amount to determine the difference. That difference was then multiplied by 5.5% to determine the impact.

For method 2 – it was assumed that those entities that had over a certain amount of assets at the end of either 2016 or 2017 would be likely entities to make the necessary investment amount. For the high, those entities with \$500M of assets in the state were included in the likely pool. For the low, those entities with over \$750M in assets were included in the pool. Financial organizations were identified by name and flagged to exclude from the impact. The adjusted federal income was determined using the taxable federal income multiplied by the sales factor and compared to the current law amount to determine the difference. That difference was then multiplied by 5.5% to determine the impact.

The impacts from both method 1 and method 2 were then multiplied by a gross up factor determined by the amount of tax due in the respective 2016 and 2017 CIT annual datafile divided by the tax due in the respective 2016 and 2017 MEF datafile. A second gross up factor was then applied. This second gross up factor was determined by dividing the actual 2018-19 net receipts by the 2/23/2018 CIT forecast times 1.07% from the General Revenue Estimating Conference. This gross up factor is used because the data used in analyzing the potential impact was from 2016 and 2017 – before any influence on the tax base from the Tax Cuts and Jobs Act.

As no entity may use the single sale apportionment until tax years beginning on or after January 1, 2022, it is assumed that the impact will not occur until May of 22-23. It is also assumed that the entities do not change their safe harbor as they will likely not know for certain whether they will be better off under single sales factor until they prepare their return.

Section 4: Proposed Fiscal Impact

Method 1 – 2017 Data

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2020-21	\$0	(\$35.7 M)	\$0	(\$31.8 M)	\$0	(\$27.3 M)
2021-22	\$0	(\$36.5 M)	\$0	(\$32.5 M)	\$0	(\$27.9 M)
2022-23	(\$36.7 M)	(\$36.7 M)	(\$32.7 M)	(\$32.7 M)	(\$28.1 M)	(\$28.1 M)
2023-24	(\$37.7 M)	(\$37.7 M)	(\$33.5 M)	(\$33.5 M)	(\$28.8 M)	(\$28.8 M)
2024-25	(\$38.8 M)	(\$38.8 M)	(\$34.6 M)	(\$34.6 M)	(\$29.7 M)	(\$29.7 M)

Method 1 – 2016 data

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2020-21	\$0	(\$61.1 M)	\$0	(\$59.6 M)	\$0	(\$53.8 M)
2021-22	\$0	(\$62.5 M)	\$0	(\$60.9 M)	\$0	(\$55.0 M)
2022-23	(\$62.9 M)	(\$62.9 M)	(\$61.3 M)	(\$61.3 M)	(\$55.4 M)	(\$55.4 M)
2023-24	(\$64.5 M)	(\$64.5 M)	(\$62.8 M)	(\$62.8 M)	(\$56.8 M)	(\$56.8 M)
2024-25	(\$66.5 M)	(\$66.5 M)	(\$64.8 M)	(\$64.8 M)	(\$58.5 M)	(\$58.5 M)

REVENUE ESTIMATING CONFERENCE

Tax: Corporate Income Tax

Issue: Sales as Single Apportionment Factor

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

Method 2 – 2017 data

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2020-21	\$0	(\$54.2 M)	\$0	(\$47.7 M)	\$0	(\$41.1 M)
2021-22	\$0	(\$55.4 M)	\$0	(\$48.7 M)	\$0	(\$42.0 M)
2022-23	(\$55.8 M)	(\$55.8 M)	(\$49.0 M)	(\$49.0 M)	(\$42.3 M)	(\$42.3 M)
2023-24	(\$57.2 M)	(\$57.2 M)	(\$50.3 M)	(\$50.3 M)	(\$43.4 M)	(\$43.4 M)
2024-25	(\$59.0 M)	(\$59.0 M)	(\$51.8 M)	(\$51.8 M)	(\$44.7 M)	(\$44.7 M)

Method 2 – 2016 data

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2020-21	\$0	(\$56.0 M)	\$0	(\$49.4 M)	\$0	(\$42.7 M)
2021-22	\$0	(\$57.3 M)	\$0	(\$50.4 M)	\$0	(\$43.6 M)
2022-23	(\$57.7 M)	(\$57.7 M)	(\$50.8 M)	(\$50.8 M)	(\$43.9 M)	(\$43.9 M)
2023-24	(\$59.1 M)	(\$59.1 M)	(\$52.1 M)	(\$52.1 M)	(\$45.0 M)	(\$45.0 M)
2024-25	(\$61.0 M)	(\$61.0 M)	(\$53.7 M)	(\$53.7 M)	(\$46.4 M)	(\$46.4 M)

List of affected Trust Funds:

CIT Group

Section 5: Consensus Estimate (Adopted: 12/13/2019): The Conference adopted the average of the middle for the two years of data for Method 1.

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2020-21	0.0	(45.7)	0.0	0.0	0.0	0.0	0.0	(45.7)
2021-22	0.0	(46.7)	0.0	0.0	0.0	0.0	0.0	(46.7)
2022-23	(47.0)	(47.0)	0.0	0.0	0.0	0.0	(47.0)	(47.0)
2023-24	(48.2)	(48.2)	0.0	0.0	0.0	0.0	(48.2)	(48.2)
2024-25	(49.7)	(49.7)	0.0	0.0	0.0	0.0	(49.7)	(49.7)

	A	B	C	D	E	F	G	H	I	J	K	L	M
1	2017 MEF data	Count	Adjusted federal - Current law apportionment	Adjusted federal - Single sales Factor	Difference	at 5.5%		2016 MEF data	Count	Adjusted federal - Current law apportionment	Adjusted federal - Single sales Factor	Difference	at 5.5%
2	Entities with more than \$45 M increase in property	30	\$2,536,156,475	\$2,134,478,471	\$401,678,004	\$22,092,290		Entities with more than \$45 M increase in property	28	\$3,767,920,430	\$3,085,812,987	\$682,107,443	\$37,515,909
3	Entities with more than \$40 M increase in property	32	\$2,601,344,880	\$2,150,202,607	\$451,142,273	\$24,812,825		Entities with more than \$40 M increase in property	34	\$3,819,066,494	\$3,119,229,414	\$699,837,080	\$38,491,039
4	Entities with more than \$50 M increase in property	27	\$2,345,963,476	\$2,000,430,195	\$345,533,281	\$19,004,330		Entities with more than \$50 M increase in property	25	\$3,475,258,993	\$2,859,071,623	\$616,187,370	\$33,890,305
5													
6													
7	2017 MEF total Taxdue		\$1,638,058,568					2016 MEF total Taxdue		\$2,033,347,569			
8	2017 CIT Annual Dataset Taxdue		\$1,796,209,029					2016 CIT Annual Dataset Taxdue		\$2,460,228,701			
9	Gross up factor		110%					Gross up factor		121%			
10													
11													
12	2018-19 CIT Net Receipts (M)		2869					2018-19 CIT Net Receipts (M)		2869			
13	2/23/2018 forecast of 2018-19 CIT Net Receipts		2325.752					2/23/2018 forecast of 2018-19 CIT Net Receipts		2325.752			
14	TCJA Gross up factor		123%					TCJA Gross up factor		123%			
15													
16	CIT Growth Rate- August 14, 2019 GR							CIT Growth Rate- August 14, 2019 GR					
17	2019-20		4.60%					2019-20		4.60%			
18	2020-21		1.70%					2020-21		1.70%			
19	2021-22		2.20%					2021-22		2.20%			
20	2022-23		0.70%					2022-23		0.70%			
21	2023-24		2.50%					2023-24		2.50%			
22	2024-25		3.10%					2024-25		3.10%			
23													
24		High	Middle	Low					High	Middle	Low		
25	Tax Impact - 2018-19	\$33,563,775	\$29,883,767	\$25,706,750	Average 2016 and 2017			Tax Impact - 2018-19	\$57,450,081	\$55,994,643	\$50,583,222		
26	2019-20	\$35,107,709	\$31,258,420	\$26,889,260				2019-20	\$60,092,785	\$58,570,397	\$52,910,050		
27	2020-21	\$35,704,540	\$31,789,813	\$27,346,378	\$45,677,953	-45.7		2020-21	\$61,114,362	\$59,566,094	\$53,809,521		
28	2021-22	\$36,490,040	\$32,489,189	\$27,947,998	\$46,682,868	-46.7		2021-22	\$62,458,878	\$60,876,548	\$54,993,330		
29	2022-23	\$36,745,470	\$32,716,613	\$28,143,634	\$47,009,648	-47.0		2022-23	\$62,896,090	\$61,302,684	\$55,378,284		
30	2023-24	\$37,664,107	\$33,534,528	\$28,847,225	\$48,184,890	-48.2		2023-24	\$64,468,492	\$62,835,251	\$56,762,741		
31	2024-25	\$38,831,694	\$34,574,099	\$29,741,489	\$49,678,621	-49.7		2024-25	\$66,467,015	\$64,783,143	\$58,522,386		
32													
33													

	A	B	C	D	E	F	G	H	I	J	K	L	M	
34	Method 2 -													
35	2017 MEF Data	Count	Adjusted federal - Current law apportionment	Adjusted federal - Single sales Factor	Difference	at 5.5%		2016 MEF Data	Count	Adjusted federal - Current law apportionment	Adjusted federal - Single sales Factor	Difference	at 5.5%	
36	Entities with greater than \$500 M of property (less inventory) in Florida	23	\$3,026,017,682	\$2,341,084,616	\$684,933,066	\$37,671,319		Entities with greater than \$500 M of property (less inventory) in Florida	20	\$3,641,672,399	\$2,999,860,943	\$641,811,456	\$35,299,630	
37	Entities with greater than \$750M of property (less inventory) in Florida	16	\$2,490,335,466	\$1,970,952,316	\$519,383,150	\$28,566,073		Entities with greater than \$750M of property (less inventory) in Florida	16	\$3,233,626,161	\$2,745,056,057	\$488,570,104	\$26,871,356	
38														
39														
40														
41	2017 MEF total Taxdue		\$1,638,058,568											
42	2017 CIT Annual Dataset Taxdue		\$1,796,209,029											
43	Gross up factor		110%											
44														
45	2018-19 CIT Net Receipts (M)		2869											
46	2/23/2018 forecast of 2018-19 CIT Net Receipts		2325.752											
47	TCJA Gross up factor		123%											
48														
49	CIT Growth Rate- August 14, 2019 GR													
50	2019-20	4.60%												
51	2020-21	1.70%												
52	2021-22	2.20%												
53	2022-23	0.70%												
54	2023-24	2.50%												
55	2024-25	3.10%												
56														
57		High	Middle	Low										
58	Tax Impact - 2018-19	\$50,957,184	\$44,798,949	\$38,640,714										
59	2019-20	\$53,301,214	\$46,859,700	\$40,418,187										
60	2020-21	\$54,207,335	\$47,656,315	\$41,105,296										
61	2021-22	\$55,399,896	\$48,704,754	\$42,009,612										
62	2022-23	\$55,787,695	\$49,045,687	\$42,303,680										
63	2023-24	\$57,182,388	\$50,271,830	\$43,361,272										
64	2024-25	\$58,955,042	\$51,830,256	\$44,705,471										

REVENUE ESTIMATING CONFERENCE

Tax: Sales and Use Tax

Issue: 0.5% rate reduction for Commercial Rent

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

☒ **Entire Bill**

Partial Bill: Section 5

Sponsor(s): N/A

Month/Year Impact Begins: January 1, 2021

Date of Analysis: December 11, 2019

Section 1: Narrative

- a. Current Law:** Section 212.031 Provides for a tax levied in an amount equal to 5.5% of and on the total rent or license fee charged for the exercise of the taxable privilege of engaging in the business of renting, leasing, letting, or granting a license for the use of any real property unless the property is one of 13 specifically identified types of property.
- b. Proposed Change:** Reduces the tax levied on the taxable privilege of engaging in the business of renting, leasing, letting, or granting a license for the use of any real property from 5.5% to 5.0% effective January 1, 2021.

Section 2: Description of Data and Sources

DOR Sales Tape for 2013, 2014, 2015, 2016, 2017 and 2018 Calendar Years

Monthly sales tax data set for the period 1/1/17 to 12/31/18

DR-15 Line 3.C. (Taxable Commercial Rent) or 4.C. (Tax on Commercial Rent).

DR-15EZ line 3 (Total Taxable Sales) and line 4 (Total Tax Collected)

Instructions for DR-15EZ read in part: "If you only report tax collected for the lease or rental of commercial property, you may file a DR-15EZ return."

Business Investment Growth Rates from August 2019 General Revenue Estimating Conference

Nonresidential Property Growth Rates from August 2019 Ad Valorem Assessment Estimating Conference

Section 3: Methodology (Include Assumptions and Attach Details)

For 2013, those dealers who either were identified as Kind Code 82 – Lease or Rental of Real Property or as having positive amounts inform DR15 line 3.C. (Taxable Commercial Rent) or 4.C. (Tax on Commercial Rent). Those dealers that indicated Kind Code 82 were further broken into 5 groups:

KindCode 82 - Form DR15 With line 4C > 0

KindCode 82 - Form DR15 with line 4C = 0 multiplied by 50% as directed by REC

Kindcode 82 - Form DR15EZ

Kind Code 82 - No form ID with line 4C > 0

Kind Code 82 - No form ID with line 4C = 0

For all other years, the data file contained form information for all sales tax dealers. As a result, the data for entities registers as Kindcode 82 was broken into three groups:

KindCode 82 - Form DR15 With line 4C > 0

KindCode 82 - Form DR15 with line 4C = 0 multiplied by 50% as directed by REC (note – this amount is excluded from the middle estimate for 2017 and 2018)

Kindcode 82 - Form DR15EZ

Additionally, the amount of taxable commercial rent reported on Form DR-15 line 3c for all sales tax dealers not in kind code 82 was identified for 2013, 2014, 2015, 2016, 2017, and 2018.

For those dealers that were Kind Code 82 and filed using form DR-15, taxable sales amounts for commercial rent were used to calculate the state 6% sales tax on commercial rent where the dealer had reported some amount on line 3.C. For those dealers in Kindcode 82 that either filed form DR-15EZ or filed DR-15 but did not report any tax on line 4.C., line 3 (Taxable Sales/Purchases) or line 3.A. (Taxable Sales) multiplied by the state 6% rate to calculate the state 6% sales tax collected on commercial rent.

For those dealers that were not in Kindcode 82 the amount reported on line 3.C. was multiplied by the state 6% rate to calculate the sales tax on commercial rent. **Note – the rate of 6% was used in this part of the analysis as the historic data through 2017 was all taxed at 6%**

REVENUE ESTIMATING CONFERENCE

Tax: Sales and Use Tax

Issue: 0.5% rate reduction for Commercial Rent

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

For the high estimate, nonresidential real property growth rates from the August 2019 Ad Valorem Assessments Estimating Conference were used to grow the 2018 values into the forecast period. For the low estimate, the observed average growth rate from 2016 to 2018 discussed below in the middle methodology of 5.03% was used for all years in the forecast period. For the middle estimate, a dataset that included monthly data for 2017 and 2018 (through November activity) was used. The middle methodology will be discussed more below.

Calendar year amounts were converted to fiscal year amounts. The amount of tax that would have been generated were the tax rate 5.5% was calculated and converted to a fiscal year basis. The difference between the revenues generated at the 5.5% rate and those generated at the proposed 5.0% rate was calculated to determine the impact. As the effective date is January 1, 2021, the 2020-21 impact is assumed to be 5.75/12 of the annualized 2020-21 amount.

For the high methodology, the data from the DOR 2015, 2016, 2017 and 2018 Sales file was not adjusted. For the middle and low estimates, the amounts from the DOR sales file for those years were adjusted.

The reason for the adjustment is that in the processing of the returns, certain amounts reported on the return are recast in an effort to better characterize the data. For dealers in kind code 82 – Lease or Rental of Commercial Real Property that file the DR-15, if they file amounts only on one line and that line is not the commercial rent line, the department recast that return to show the tax remitted as being on the commercial rent line. This is referred to as “As Computed” data. Data that is in the form that was filed by the taxpayer is referred to as “As Filed” data. In order to evaluate the impact of this processing issue, a file consisting of both “As Filed” data and “As Computed” data was created on a monthly basis for Calendar year 2015. This file was analyzed to identify those entities that had reported taxable sales on a single line other than the commercial rent line “as filed” and that had reported sales on the commercial rent line “As Computed”.

Once those amounts that had been recast were identified, they were further examined. In order to evaluate these recast amounts, the department was directed to conduct an analysis of those entities that have a primary kind code of 82 but that have additional kind codes. A data set of those entities with multiple kind codes where 82 was the primary Kind code was generated. This dataset was merged with the dataset of monthly remittances that was used to identify the recast data. Of 57,102 entities with primary Kindcode 82 that filed on the DR-15, 3233 entities had multiple kind codes. The match identified that of the 3233 entities with multiple kind codes, 823 had their return recast as discussed above. The analysis requested was to identify those entities with multiple kind codes and then compare them to entities with the same multiple kind codes but who had not had their data recast. For those that had not been recast, the percent commercial rent represented on the return was calculated. This percent was then applied to entities that had multiple kind codes and had been recast to create an amount that is assumed to be commercial rent. For the middle and low estimates, the entire recast amount was initially assumed not to be commercial rent. The amounts for those recast entities that did not have multiple Kindcode was added to the impact total absent the recast entities’ amounts. Finally, the amount that resulted from the analysis of those entities with multiple kind codes and the percentage from like entities that had not been recast was added to the impact total.

As discussed above, this adjustment was determined using 2015 Calendar year data. For this analysis, the analysis was not replicated to adjust data from the 2018 sales tape. Instead, the 2018 commercial rent amount was reduced for the middle and low estimates to reflect the same percentage adjustment for the middle and low estimate as was made using the 2015 data in the analysis performed in a prior session.

Middle Methodology – for the middle estimate produced during the 2019 session for an estimate of the rate reduction proposed at that time, data was obtained by applied month for calendar year 2017 and 2018. As the tax rate was 5.8% starting January 1, 2017, there was some expectation that the reporting behavior might change once the commercial rent rate was different than the general sales tax rate. This does seem to have been the case.

For 2017 and 2018, the dealers that either were registered as kind code 82 or had amounts on the commercial rent line were broken in the following 4 groups:

Kindcode 82 - Form DR15 With line 4C > 0

Kindcode 82 - Form DR15 with line 4C = 0

Kindcode 82 - Form DR15EZ

Not Kindcode 82 with line 4c > 0

REVENUE ESTIMATING CONFERENCE

Tax: Sales and Use Tax

Issue: 0.5% rate reduction for Commercial Rent

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

Total amounts for each of these groups was calculated monthly. It was immediately recognized that the more disaggregated analysis for 2017 produced different amounts for the four groups than the analysis conducted on a monthly basis. In particular, the Kindcode 82 - Form DR15 with line 4C = 0 group and the Kindcode 82 - Form DR15EZ group were both significantly higher than produced in the analysis that had annual data only. For the Kindcode 82 - Form DR15 with line 4C = 0 group, a likely explanation for the differences is that for the annual file, a dealer that reported only an amount in the taxable sales in a single month but reported taxable commercial rent in another month would not be included in this group once those months were combined. For the Kindcode 82 - Form DR15EZ group, a likely explanation is that the dealer filed in certain months on the DR15EZ and certain months on the DR15. If the record got picked up as on the DR 15EZ in the annual file, there would be no impact, but if the dealer got picked up as DR15 in the annual file, the commercial rent that had come in on the taxable sales line for those months the DR15-EZ was used would not have been picked up in the analysis using only calendar year data.

Based on this analysis conducted during 2019 session, the analyst recommends that the conference use only three of the groups from the analysis using monthly data. Those groups are:

Kindcode 82 - Form DR15 With line 4C > 0

Kindcode 82 - Form DR15EZ

Not Kindcode 82 with line 4c > 0

Additionally, the amount from these three groups was reduced using the reduction factor for recast rent discussed above. For this analysis, this methodology was used for the middle estimate.

For the cash impact, an analysis has done of the effective tax rate by county by month for 2017 and 2018. The effective rates above 12% were excluded. Average effective rates were reduced by the local option tax in place to provide comparable state rates. The effective rates for December of 2017 and December of 2018 were compared to the other effective rates for 2017 and 2018 by county by month. For almost all counties, the December 2017 effective rate was the lowest for 2017. For numerous counties, the 2018 effective rate was the lowest for 2018. The amount that December 2017 was lower than the average for the other 12 months was approximately 0.1% in terms of rate, which was half of the rate reduction. For the cash, the rate reduction was assumed to be for 5.75 months.

Section 4: Proposed Fiscal Impact

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2020-21	(\$79.9 M)	(\$166.8 M)	(\$79.3 M)	(\$165.5 M)	(\$80.5 M)	(\$168.0 M)
2021-22	(\$176.5 M)	(\$176.5 M)	(\$173.8 M)	(\$173.8 M)	(\$176.4 M)	(\$176.4 M)
2022-23	(\$186.2 M)	(\$186.2 M)	(\$182.5 M)	(\$182.5 M)	(\$185.3 M)	(\$185.3 M)
2023-24	(\$196.1 M)	(\$196.1 M)	(\$191.7 M)	(\$191.7 M)	(\$194.6 M)	(\$194.6 M)
2024-25	(\$205.9 M)	(\$205.9 M)	(\$201.4 M)	(\$201.4 M)	(\$204.4 M)	(\$204.4 M)

List of affected Trust Funds: Sales and Use Tax Group

Section 5: Consensus Estimate (Adopted: 12/13/2019): The Conference adopted the middle estimate.

	GR		Trust		Revenue Sharing		Local Half Cent	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2020-21	(70.2)	(146.5)	(Insignificant)	(Insignificant)	(2.4)	(4.9)	(6.7)	(14.1)
2021-22	(153.8)	(153.8)	(Insignificant)	(Insignificant)	(5.2)	(5.2)	(14.8)	(14.8)
2022-23	(161.6)	(161.6)	(Insignificant)	(Insignificant)	(5.4)	(5.4)	(15.5)	(15.5)
2023-24	(169.7)	(169.7)	(Insignificant)	(Insignificant)	(5.7)	(5.7)	(16.3)	(16.3)
2024-25	(178.3)	(178.3)	(Insignificant)	(Insignificant)	(6.0)	(6.0)	(17.1)	(17.1)

REVENUE ESTIMATING CONFERENCE

Tax: Sales and Use Tax

Issue: 0.5% rate reduction for Commercial Rent

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

	Local Option		Total Local		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2020-21	0.0	0.0	(9.1)	(19.0)	(79.3)	(165.5)
2021-22	0.0	0.0	(20.0)	(20.0)	(173.8)	(173.8)
2022-23	0.0	0.0	(20.9)	(20.9)	(182.5)	(182.5)
2023-24	0.0	0.0	(22.0)	(22.0)	(191.7)	(191.7)
2024-25	0.0	0.0	(23.1)	(23.1)	(201.4)	(201.4)

	A	B	C	D	E	F	G	H
1	Calendar Year 2018	Sales/Services Taxable Sales (Line 3A DR-15 or Line 3 DR-15EZ)	Taxable Sales Reported on line 3C- Commercial Rentals	Sales Tax at 6% rate applied to Taxable Sales (Line 3A DR-15 or Line 3 DR-15EZ)	Sales Tax at 6% rate applied to line 3C- Commercial Rentals	Number of Accounts		
2	KindCode 82 - Form DR15 With line 4C > 0		\$18,712,787,962		\$1,122,767,278	63,559		
3	KindCode 82 - Form DR15 with line 4C = 0	\$1,417,004,857		\$85,020,291		12,638		
4	Kindcode 82 - Form DR15EZ	\$8,695,220,329		\$521,713,220		72,545		
5	Kind Code 82 - No form ID with line 4C > 0			\$0	\$0			
6	Kind Code 82 - No form ID with line 4C = 0			\$0	\$0			
7	Dealers with Commercial rental tax not in kindcode 82	\$29,428,369,853	\$1,856,008,940		\$111,360,536	10,637		
8								
9	Statewide 2018			\$564,223,365.45	\$1,234,127,814	159,379		
10								
11	Calendar Year 2017	Sales/Services Taxable Sales (Line 3A DR-15 or Line 3 DR-15EZ)	Taxable Sales Reported on line 3C- Commercial Rentals	Sales Tax at 6% rate applied to Taxable Sales (Line 3A DR-15 or Line 3 DR-15EZ)	Sales Tax at 6% rate applied to line 3C- Commercial Rentals	Number of Accounts		
12	KindCode 82 - Form DR15 With line 4C > 0		\$17,037,147,659		\$1,022,228,860	57,591		
13	KindCode 82 - Form DR15 with line 4C = 0	\$687,645,007		\$41,258,700		8,795		
14	Kindcode 82 - Form DR15EZ	\$9,051,723,172		\$543,103,390		73,350		
15	Dealers with Commercial rental tax not in kindcode 82	\$35,578,633,760	\$2,695,538,596		\$161,732,316	12,739		
16								
17	Statewide 2017			\$563,732,740.53	\$1,183,961,175	152,475		
18								
19	Calendar Year 2016	Sales/Services Taxable Sales (Line 3A DR-15 or Line 3 DR-15EZ)	Taxable Sales Reported on line 3C- Commercial Rentals	Sales Tax at 6% rate applied to Taxable Sales (Line 3A DR-15 or Line 3 DR-15EZ)	Sales Tax at 6% rate applied to line 3C- Commercial Rentals	Number of Accounts		
20	KindCode 82 - Form DR15 With line 4C > 0	\$811,758,617	\$15,791,526,687		\$947,491,601	50,842		
21	KindCode 82 - Form DR15 with line 4C = 0	\$287,479,340		\$17,248,760		7,574		
22	Kindcode 82 - Form DR15EZ	\$9,369,223,863		\$562,153,432		81,915		
23	Dealers with Commercial rental tax not in kindcode 82	\$28,862,679,930	\$1,788,829,843		\$107,329,791	8,940		
24								
25	Statewide 2016		\$17,580,356,530	\$579,402,192	\$1,054,821,392	149,271		
26								
27	Calendar Year 2015	Sales/Services Taxable Sales (Line 3A DR-15 or Line 3 DR-15EZ)	Taxable Sales Reported on line 3C- Commercial Rentals	Sales Tax at 6% rate applied to Taxable Sales (Line 3A DR-15 or Line 3 DR-15EZ)	Sales Tax at 6% rate applied to line 3C- Commercial Rentals	Number of Accounts		

	A	B	C	D	E	F	G	H
28	KindCode 82 - Form DR15 With line 4C > 0	\$608,264,217	\$14,816,872,568		\$889,012,354	48,689		
29	KindCode 82 - Form DR15 with line 4C = 0	\$276,925,549		\$16,615,533		8,078		
30	Kindcode 82 - Form DR15EZ	\$9,703,296,086		\$582,197,765		87,625		
31	Dealers with Commercial rental tax not in kindcode 82	\$25,033,351,388	\$1,424,118,566		\$85,447,114	8,606		
32								
33	Statewide 2015			\$598,813,298	\$974,459,468	152,998		
34								

	A	B	C	D	E	F	G	H
35	Calendar Year 2014	Sales/Services Taxable Sales (Line 3A DR-15 or Line 3 DR-15EZ)	Taxable Sales Reported on line 3C- Commercial Rentals	Sales Tax at 6% rate applied to Taxable Sales (Line 3A DR-15 or Line 3 DR-15EZ)	Sales Tax at 6% rate applied to line 3C- Commercial Rentals	Number of Accounts		
36	KindCode 82 - Form DR15 With line 4C > 0	\$537,440,074	\$13,075,756,344		\$784,545,381	42,923		
37	KindCode 82 - Form DR15 with line 4C = 0	\$369,105,345		\$22,146,321		6,158		
38	Kindcode 82 - Form DR15EZ	\$9,969,543,929		\$598,172,636		90,846		
39	Dealers with Commercial rental tax not in kindcode 82	\$23,876,968,994	\$1,147,816,198		\$68,868,972	7,699		
40								
41	Statewide 2014			\$620,318,956	\$853,414,352	147,626		
42								
43								
44	Calendar Year 2013	Sales/Services Taxable Sales (Line 3A DR-15 or Line 3 DR-15EZ)	Taxable Sales Reported on line 3C- Commercial Rentals	Sales Tax at 6% rate applied to Taxable Sales (Line 3A DR-15 or Line 3 DR-15EZ)	Sales Tax at 6% rate applied to line 3C- Commercial Rentals	Number of Accounts		
45	KindCode 82 - Form DR15 With line 4C > 0	\$668,576,684	\$9,187,064,349		\$551,223,861	31,248		
46	KindCode 82 - Form DR15 with line 4C = 0	\$411,980,060		\$24,718,804		2,954		
47	Kindcode 82 - Form DR15EZ	\$10,219,270,436		\$613,156,226		90,719		
48	Kind Code 82 - No form ID with line 4C > 0	\$120,898,245	\$2,626,883,968		\$157,613,038	10,001		
49	Kind Code 82 - No form ID with line 4C = 0	\$84,173,669		\$5,050,420		2,435		
50	Dealers with Commercial rental tax not in kindcode 82	\$20,940,595,250	\$1,166,438,863		\$69,986,332	7,699		
51								
52	Statewide 2013			\$642,925,450	\$778,823,231	145,056		
53								
54								
55	Analysis of Recast Commercial Rent (Low Estimate)		Taxable Amounts					
56			Totals	Amounts to add back				
57	Total Recast Commercial Rent (DR-15 filers only)- 2015		\$4,684,175,711					
58	Total Recast that are only kindcode 82			\$4,481,054,382				
59	Total recast that have multiple kindcodes		\$203,121,329					
60	portion of C41 that is assumed commercial rent by like analysis			\$111,631,023				
61	Total amount (taxable Commercial rent) to add back			\$4,592,685,405				
62	tax amount to add back			\$275,561,124				
63								
64								

Reduction factor for recast Commercial Rent

96.89%

	A	B	C	D	E	F	G	H
65	High EstimateMiddle EstimateLow Estimate							
			Sales Tax With Cell D3 reduced by half @ NonResidential Property Growth Rate	Sales Tax from monthly analysis from 2017 (Recommended Amount for 2017)	Sales Tax With Cell D3 reduced by half @ Low Growth Rate - adjusted for recast commercial rent	Implied Business Investment Growth Rate (GR-REC 8/19) - Not used in analysis	NonResidential Property Growth Rate - 3/2019 Ad Valorem Assessments Estimating Conference - used for high estimate	Middle and Low Growth Rates
66								
67	Total Estimated State Sales Tax - Commercial Rent	2013	\$1,408,103,037					
68		2014	\$1,462,660,149					3.87%
69		2015	\$1,564,965,000		\$1,551,167,815			6.99%
70		2016	\$1,625,599,204		\$1,611,267,450			3.87%
71		2017	\$1,747,693,916	\$1,693,326,471	\$1,732,285,740			7.51%
72		2018	\$1,798,351,180	\$1,755,841,034	\$1,782,496,395	7.60		3.69%
73		2019	\$1,828,743,315	\$1,844,159,838	\$1,872,155,963	9.40	1.69	5.03%
74		2020	\$1,944,502,766	\$1,936,921,078	\$1,966,325,408	4.00	6.33	5.03%
75		2021	\$2,059,422,880	\$2,034,348,208	\$2,065,231,576	1.80	5.91	5.03%
76		2022	\$2,176,192,157	\$2,136,675,923	\$2,169,112,724	2.20	5.67	5.03%
77		2023	\$2,293,488,914	\$2,244,150,722	\$2,278,219,095	1.90	5.39	5.03%
78		2024	\$2,412,750,338	\$2,357,031,503	\$2,392,813,515	2.50	5.20	5.03%
79		2025	\$2,530,010,004	\$2,475,590,188	\$2,513,172,035	2.90	4.86	5.03%
80								
81	Calendar Year		High Estimate	Middle Estimate	Low Estimate			
82	Estimated Sales tax at 5.5%	2019	\$1,676,348,038	\$1,690,479,851	\$1,716,142,966			
83		2020	\$1,782,460,869	\$1,775,510,988	\$1,802,464,957			
84		2021	\$1,887,804,306	\$1,864,819,191	\$1,893,128,945			
85	Existing Rate	2022	\$1,994,842,811	\$1,958,619,596	\$1,988,353,331			
86	5.50%	2023	\$2,102,364,838	\$2,057,138,162	\$2,088,367,503			
87		2024	\$2,211,687,810	\$2,160,612,211	\$2,193,412,389			
88		2025	\$2,319,175,837	\$2,269,291,005	\$2,303,741,032			
89								
90		Sales Tax @ 5.5%	High Estimate	Middle Estimate	Low Estimate			
91	Calendar Year to Fiscal Year conversion - 5.5%	2019-20	\$1,729,404,454	\$1,732,995,420	\$1,759,303,962			
92		2020-21	\$1,835,132,588	\$1,820,165,089	\$1,847,796,951			
93		2021-22	\$1,941,323,559	\$1,911,719,393	\$1,940,741,138			
94		2022-23	\$2,048,603,824	\$2,007,878,879	\$2,038,360,417			
95		2023-24	\$2,157,026,324	\$2,108,875,186	\$2,140,889,946			
96		2024-25	\$2,265,431,824	\$2,214,951,608	\$2,248,576,710			

	A	B	C	D	E	F	G	H
97								
98								
99		Sales Tax @ 5%	High Estimate	Middle Estimate	Low Estimate			
100	Estimated Revenues at 5.0% - State Fiscal Year	2020-21	\$1,668,302,353	\$1,654,695,536	\$1,679,815,410			
101		2021-22	\$1,764,839,599	\$1,737,926,721	\$1,764,310,125			
102	New Rate	2022-23	\$1,862,367,113	\$1,825,344,435	\$1,853,054,925			
103	5.00%	2023-24	\$1,960,933,022	\$1,917,159,260	\$1,946,263,587			
104		2024-25	\$2,059,483,476	\$2,013,592,371	\$2,044,160,646			
105								
106								
107								
108			High Estimate	Middle Estimate	Low Estimate			
109			Sales Tax With Cell D3 reduced by half @ Commercial Property Growth Rate	Sales Tax With Cell D3 reduced by half @ Investment Growth Rate - adjusted for recast commercial rent	Sales Tax With Cell D3 reduced by half @ Low Growth Rate - adjusted for recast commercial rent			
110		2020-21 Cash (5.75/12)	-\$79,939,488	-\$79,287,494	-\$80,491,155			
111		2020-21	-\$166,830,235	-\$165,469,554	-\$167,981,541			
112		2021-22	-\$176,483,960	-\$173,792,672	-\$176,431,013			
113		2022-23	-\$186,236,711	-\$182,534,444	-\$185,305,492			
114		2023-24	-\$196,093,302	-\$191,715,926	-\$194,626,359			
115		2024-25	-\$205,948,348	-\$201,359,237	-\$204,416,065			
116								
117								
118								

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 13, 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%.

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 14 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.

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 14 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 14 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.

REVENUE ESTIMATING CONFERENCE

Tax: Sales and Use Tax

Issue: Small Business Rent Exemption

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

(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

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

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.

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 14, to find the upper-bound of the gross sales for small businesses. This calculated upper-bound is \$2,657,261.32.

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 92.95% of businesses in the data would qualify for the exemption as a small business (total gross sales less than \$2,657,261.32) under the proposed language.

REVENUE ESTIMATING CONFERENCE

Tax: Sales and Use Tax

Issue: Small Business Rent Exemption

Bill Number(s): [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 12.34% in the high, as 10.99% in the middle, and as 9.58% 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 percentage 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.

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.

Section 4: Proposed Fiscal Impact

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2020-21	(\$100.5 M)	(\$241.1 M)	(\$88.2 M)	(\$211.8 M)	(\$75.8 M)	(\$181.9 M)
2021-22	(\$253.3 M)	(\$253.3 M)	(\$222.4 M)	(\$222.4 M)	(\$191.1 M)	(\$191.1 M)
2022-23	(\$266.0 M)	(\$266.0 M)	(\$233.6 M)	(\$233.6 M)	(\$200.7 M)	(\$200.7 M)
2023-24	(\$279.4 M)	(\$279.4 M)	(\$245.3 M)	(\$245.3 M)	(\$210.8 M)	(\$210.8 M)
2024-25	(\$293.4 M)	(\$293.4 M)	(\$257.7 M)	(\$257.7 M)	(\$221.4 M)	(\$221.4 M)

List of affected Trust Funds: Sales and Use Tax Group

Section 5: Consensus Estimate (Adopted: 12/06/2013): The Conference adopted the middle estimate.

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2020-21	(78.1)	(187.5)	(Insignificant)	(Insignificant)	(2.6)	(6.3)	(7.5)	(18.0)
2021-22	(196.9)	(196.9)	(Insignificant)	(Insignificant)	(6.6)	(6.6)	(18.9)	(18.9)
2022-23	(206.8)	(206.8)	(Insignificant)	(Insignificant)	(6.9)	(6.9)	(19.8)	(19.8)
2023-24	(217.2)	(217.2)	(Insignificant)	(Insignificant)	(7.3)	(7.3)	(20.8)	(20.8)
2024-25	(228.2)	(228.2)	(Insignificant)	(Insignificant)	(7.7)	(7.7)	(21.9)	(21.9)

REVENUE ESTIMATING CONFERENCE

Tax: Sales and Use Tax

Issue: Small Business Rent Exemption

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

	Local Option		Total Local		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2020-21	(12.9)	(30.9)	(23.0)	(55.2)	(101.1)	(242.7)
2021-22	(32.4)	(32.4)	(57.9)	(57.9)	(254.8)	(254.8)
2022-23	(34.1)	(34.1)	(60.9)	(60.9)	(267.7)	(267.7)
2023-24	(35.8)	(35.8)	(63.9)	(63.9)	(281.1)	(281.1)
2024-25	(37.6)	(37.6)	(67.1)	(67.1)	(295.3)	(295.3)

	A	B	C	D	E	F	G
1							
2	Small Business Gross Sales Ratio Analysis with Strata Modifications						
3		Monthly GS < \$10,000	Monthly GS < \$30,000	Monthly GS < \$50,000			
4	Gross Sales (\$)	High	Middle	Low			
5	All Businesses less Commercial Rent	\$ 1,213,443,112,262	\$ 1,213,443,112,262	\$ 1,213,443,112,262			
6	Small Businesses < \$2.66m Gross Sales	\$ 149,679,679,306	\$ 133,340,153,142	\$ 116,239,582,378			
7	**Note: Commercial Rent removed from pool.	**Values in this table come from Descriptive Data rows 32 and 28.					
8							
9		High	Middle	Low			
10	% of Gross Sales going to Commercial Rent	2.656%	2.656%	2.656%			
11	% SB Gross Sales v Total Gross Sales	12.34%	10.99%	9.58%			
12	**Low estimate percentage consistent with ratios calculated above.						
13							
14	Adopted amounts from Post-Session 2019 Conference for Commercial Rent Collections (Adopted:6/12/2019)						
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	\$ (218,663,406)	\$ (194,793,389)	\$ (169,811,581)			
25	2020-21	\$ (229,662,175)	\$ (204,591,497)	\$ (178,353,104)			
26	2021-22	\$ (241,214,183)	\$ (214,882,449)	\$ (187,324,265)			
27	2022-23	\$ (253,347,256)	\$ (225,691,036)	\$ (196,746,675)			
28	2023-24	\$ (266,090,623)	\$ (237,043,295)	\$ (206,643,033)			
29	2024-25	\$ (279,474,981)	\$ (248,966,573)	\$ (217,037,178)			
30							
31	Adjustment for Unknown Base Rate	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	\$ (210,463,528.26)	\$ (229,596,576.29)	\$ (184,810,228.10)	\$ (201,611,157.92)	\$ (158,773,828.28)	\$ (173,207,812.67)
37	2020-21	\$ (241,145,284.07)	\$ (241,145,284.07)	\$ (211,752,199.17)	\$ (211,752,199.17)	\$ (181,920,165.64)	\$ (181,920,165.64)
38	2021-22	\$ (253,274,891.86)	\$ (253,274,891.86)	\$ (222,403,334.78)	\$ (222,403,334.78)	\$ (191,070,749.97)	\$ (191,070,749.97)
39	2022-23	\$ (266,014,618.92)	\$ (266,014,618.92)	\$ (233,590,222.52)	\$ (233,590,222.52)	\$ (200,681,608.70)	\$ (200,681,608.70)
40	2023-24	\$ (279,395,154.25)	\$ (279,395,154.25)	\$ (245,339,810.72)	\$ (245,339,810.72)	\$ (210,775,893.62)	\$ (210,775,893.62)
41	2024-25	\$ (293,448,730.51)	\$ (293,448,730.51)	\$ (257,680,403.20)	\$ (257,680,403.20)	\$ (221,377,921.06)	\$ (221,377,921.06)
42							
43	Impact Estimates (in \$M)						
44							
45		High		Middle		Low	
46		Cash	Recurring	Cash	Recurring	Cash	Recurring
47	2020-21	(\$100.5 M)	(\$241.1 M)	(\$88.2 M)	(\$211.8 M)	(\$75.8 M)	(\$181.9 M)
48	2021-22	(\$253.3 M)	(\$253.3 M)	(\$222.4 M)	(\$222.4 M)	(\$191.1 M)	(\$191.1 M)
49	2022-23	(\$266.0 M)	(\$266.0 M)	(\$233.6 M)	(\$233.6 M)	(\$200.7 M)	(\$200.7 M)
50	2023-24	(\$279.4 M)	(\$279.4 M)	(\$245.3 M)	(\$245.3 M)	(\$210.8 M)	(\$210.8 M)
51	2024-25	(\$293.4 M)	(\$293.4 M)	(\$257.7 M)	(\$257.7 M)	(\$221.4 M)	(\$221.4 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		# of Businesses			
13	Small Businesses under \$3.61m Gross Sales	697,277			
14	All Businesses	750,161			
15	Ratio	92.95%			
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	\$ 156,529,452,280	\$ 156,529,452,280	\$ 156,529,452,280	
29	Gross Sales per Strata	\$ 6,849,772,974	\$ 23,189,299,137	\$ 40,289,869,902	
30	Gross Sales Excluding Indicated Cohorts	\$ 149,679,679,306	\$ 133,340,153,142	\$ 116,239,582,378	
31	Ratio of SB Gross Sales with Excluded Cohorts	95.62%	85.19%	74.26%	
32	Gross Sales for All Businesses	\$ 1,213,443,112,262	\$ 1,213,443,112,262	\$ 1,213,443,112,262	
33	Ratios to All Businesses (SB Gross Sales less Strata)	99.44%	98.09%	96.68%	

	A	B	C	D	E	F	G	H	I
1									
2	2012 SUSB Census Data								
3	GEOGRAPHIC AREA DESCRIPTION	NAICS DESCRIPTION	ENTERPRISE EMPLOYMENT SIZE	NUMBER OF FIRMS	NUMBER OF ESTABLISHMENTS	EMPLOYMENT	ANNUAL PAYROLL (\$1,000)	ESTIMATED RECEIPTS (\$1,000)	AVG RECEIPTS PER FIRM
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	Receipts adjusted 2018 Rate by GDP % Growth	1 to 4 Employees	5 to 9 Employees	10 to 14 employees	15 to 19 Employees	GDP Growth Rate 2012-2018			
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	\$ 1,934,214.96	\$ 2,845,686.32	3.6%			
15	2014	\$ 404,558.97	\$ 1,256,908.93	\$ 2,019,131.83	\$ 2,970,619.07	4.4%			
16	2015	\$ 420,664.67	\$ 1,306,947.11	\$ 2,099,514.48	\$ 3,088,880.90	4.0%			
17	2016	\$ 431,929.61	\$ 1,341,945.71	\$ 2,155,737.16	\$ 3,171,597.73	2.7%			
18	2017	\$ 449,897.58	\$ 1,397,769.71	\$ 2,245,414.32	\$ 3,303,533.98	4.2%			
19	2018	\$ 473,187.06	\$ 1,470,126.94	\$ 2,361,650.89	\$ 3,474,545.38	5.2%			
20									
21	Contribution of Individual Employees to Overall Receipts by Employee Cohort								
22			Per Capita Employee Contribution to Receipts						
23		Receipts 2018	Employee Lower-bound	Cohort Average	Employee Upper-bound				
24	1 to 4 Employees	\$ 473,187.06	\$ 473,187.06	\$ 189,274.83	\$ 118,296.77				
25	5 to 9 Employees	\$ 1,470,126.94	\$ 294,025.39	\$ 210,018.13	\$ 163,347.44				
26	10 to 14 employees	\$ 2,361,650.89	\$ 236,165.09	\$ 196,804.24	\$ 157,443.39				
27	15 to 19 Employees	\$ 3,474,545.38	\$ 231,636.36	\$ 204,385.02	\$ 182,870.81				
28	Average for All Groups	\$ 1,944,877.57	\$ 308,753.47	\$ 200,120.56	\$ 155,489.60				
29									
30	Sales receipts bounds, based on the combined group Cohort Average.								
31		Lower-bound	Upper-bound						
32	1 to 4 Employees	\$ 1	\$ 800,482.223						
33	5 to 9 Employees	\$ 800,483	\$ 1,801,085.001						
34	10 to 14 Employees	\$ 1,801,086	\$ 2,801,687.779						
35	15 to 19 Employees	\$ 2,801,689	\$ 3,802,291						
36	**All businesses with total gross sales less than \$2,657,261.32 were identified as small businesses for this estimate.								

REVENUE ESTIMATING CONFERENCE

Tax: Sales and Use Tax

Issue: Small Business Rent Exemption – 4 or Fewer

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

☒ **Entire Bill**

☐ **Partial Bill:**

Sponsor(s):

Month/Year Impact Begins: January 1, 2021

Date of Analysis: December 13, 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%.

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 4 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.

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 4 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 4 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.

REVENUE ESTIMATING CONFERENCE

Tax: Sales and Use Tax

Issue: Small Business Rent Exemption – 4 or Fewer

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

(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

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

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

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.

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 4, to find the upper-bound of the gross sales for small businesses. This calculated upper-bound is \$759,217.52.

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 82.30% of businesses in the data would qualify for the exemption as a small business (total gross sales less than \$759,217.52) under the proposed language.

REVENUE ESTIMATING CONFERENCE

Tax: Sales and Use Tax

Issue: Small Business Rent Exemption – 4 or Fewer

Bill Number(s): [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 3.65% in the high, as 2.30% in the middle, and as 0.90% 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 percentage 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.

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.

Section 4: Proposed Fiscal Impact

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2020-21	(\$29.7 M)	(\$71.4 M)	(\$18.5 M)	(\$44.4 M)	(\$7.1 M)	(\$17.0 M)
2021-22	(\$75.0 M)	(\$75.0 M)	(\$46.6 M)	(\$46.6 M)	(\$17.9 M)	(\$17.9 M)
2022-23	(\$78.7 M)	(\$78.7 M)	(\$49.0 M)	(\$49.0 M)	(\$18.8 M)	(\$18.8 M)
2023-24	(\$82.7 M)	(\$82.7 M)	(\$51.5 M)	(\$51.5 M)	(\$19.7 M)	(\$19.7 M)
2024-25	(\$86.9 M)	(\$86.9 M)	(\$54.0 M)	(\$54.0 M)	(\$20.7 M)	(\$20.7 M)

List of affected Trust Funds: Sales and Use Tax Group

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

	GR		Trust		Revenue Sharing		Local Half Cent	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2020-21	(16.4)	(39.3)	(Insignificant)	(Insignificant)	(0.6)	(1.3)	(1.6)	(3.8)
2021-22	(41.3)	(41.3)	(Insignificant)	(Insignificant)	(1.4)	(1.4)	(4.0)	(4.0)
2022-23	(43.4)	(43.4)	(Insignificant)	(Insignificant)	(1.5)	(1.5)	(4.2)	(4.2)
2023-24	(45.6)	(45.6)	(Insignificant)	(Insignificant)	(1.5)	(1.5)	(4.4)	(4.4)
2024-25	(47.8)	(47.8)	(Insignificant)	(Insignificant)	(1.6)	(1.6)	(4.6)	(4.6)

REVENUE ESTIMATING CONFERENCE

Tax: Sales and Use Tax

Issue: Small Business Rent Exemption – 4 or Fewer

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

	Local Option		Total Local		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2020-21	(2.7)	(6.5)	(4.8)	(11.6)	(21.2)	(50.9)
2021-22	(6.8)	(6.8)	(12.1)	(12.1)	(53.4)	(53.4)
2022-23	(7.2)	(7.2)	(12.8)	(12.8)	(56.2)	(56.2)
2023-24	(7.5)	(7.5)	(13.4)	(13.4)	(59.0)	(59.0)
2024-25	(7.9)	(7.9)	(14.1)	(14.1)	(61.9)	(61.9)

	A	B	C	D	E	F	G
1							
2	Small Business Gross Sales Ratio Analysis with Strata Modifications						
3		Monthly GS < \$10,000	Monthly GS < \$30,000	Monthly GS < \$50,000			
4	Gross Sales (\$)	High	Middle	Low			
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 \$759K GS	\$ 44,305,514,252	\$ 27,965,988,088	\$ 10,865,417,324			
7	**Note: Commercial Rent removed from pool. **Values in this table come from Descriptive Data rows 32 and 28.						
8							
9		High	Middle	Low			
10	% of Gross Sales going to Commercial Rent	2.656%	2.656%	2.656%			
11	% SB Gross Sales v Total Gross Sales	3.65%	2.30%	0.90%			
12	**Low estimate percentage consistent with ratios calculated above.						
13							
14	Adopted amounts from Post-Session 2019 Conference for Commercial Rent Collections (Adopted:6/12/2019)						
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	\$ (64,724,849)	\$ (40,854,832)	\$ (15,873,024)			
25	2020-21	\$ (67,980,509)	\$ (42,909,830)	\$ (16,671,437)			
26	2021-22	\$ (71,399,929)	\$ (45,068,195)	\$ (17,510,011)			
27	2022-23	\$ (74,991,345)	\$ (47,335,125)	\$ (18,390,764)			
28	2023-24	\$ (78,763,410)	\$ (49,716,082)	\$ (19,315,819)			
29	2024-25	\$ (82,725,209)	\$ (52,216,801)	\$ (20,287,405)			
30							
31	Adjustment for Unknown Base Rate	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	\$ (62,297,667.22)	\$ (67,961,091.51)	\$ (38,761,022.21)	\$ (42,284,751.50)	\$ (14,841,277.55)	\$ (16,190,484.60)
37	2020-21	\$ (71,379,534.41)	\$ (71,379,534.41)	\$ (44,411,674.50)	\$ (44,411,674.50)	\$ (17,004,865.97)	\$ (17,004,865.97)
38	2021-22	\$ (74,969,925.00)	\$ (74,969,925.00)	\$ (46,645,581.73)	\$ (46,645,581.73)	\$ (17,860,210.73)	\$ (17,860,210.73)
39	2022-23	\$ (78,740,912.22)	\$ (78,740,912.22)	\$ (48,991,854.49)	\$ (48,991,854.49)	\$ (18,758,579.33)	\$ (18,758,579.33)
40	2023-24	\$ (82,701,580.11)	\$ (82,701,580.11)	\$ (51,456,144.77)	\$ (51,456,144.77)	\$ (19,702,135.87)	\$ (19,702,135.87)
41	2024-25	\$ (86,861,469.59)	\$ (86,861,469.59)	\$ (54,044,388.85)	\$ (54,044,388.85)	\$ (20,693,153.31)	\$ (20,693,153.31)
42							
43	Impact Estimates (in \$M)						
44							
45		High		Middle		Low	
46		Cash	Recurring	Cash	Recurring	Cash	Recurring
47	2020-21	(\$29.7 M)	(\$71.4 M)	(\$18.5 M)	(\$44.4 M)	(\$7.1 M)	(\$17.0 M)
48	2021-22	(\$75.0 M)	(\$75.0 M)	(\$46.6 M)	(\$46.6 M)	(\$17.9 M)	(\$17.9 M)
49	2022-23	(\$78.7 M)	(\$78.7 M)	(\$49.0 M)	(\$49.0 M)	(\$18.8 M)	(\$18.8 M)
50	2023-24	(\$82.7 M)	(\$82.7 M)	(\$51.5 M)	(\$51.5 M)	(\$19.7 M)	(\$19.7 M)
51	2024-25	(\$86.9 M)	(\$86.9 M)	(\$54.0 M)	(\$54.0 M)	(\$20.7 M)	(\$20.7 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		# of Businesses			
13	Small Businesses under \$3.61m Gross Sales	617,384			
14	All Businesses	750,161			
15	Ratio	82.30%			
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	\$ 51,155,287,225.55	\$ 51,155,287,225.55	\$ 51,155,287,225.55	
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	\$ 44,305,514,251.68	\$ 27,965,988,088.33	\$ 10,865,417,323.52	
31	Ratio of SB Gross Sales with Excluded Cohorts	86.61%	54.67%	21.24%	
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%	

	A	B	C	D	E	F	G	H	I
1									
2	2012 SUSB Census Data								
3	GEOGRAPHIC AREA DESCRIPTION	NAICS DESCRIPTION	ENTERPRISE EMPLOYMENT SIZE	NUMBER OF FIRMS	NUMBER OF ESTABLISHMENTS	EMPLOYMENT	ANNUAL PAYROLL (\$1,000)	ESTIMATED RECEIPTS (\$1,000)	AVG RECEIPTS PER FIRM
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	Receipts adjusted 2018 Rate by GDP % Growth	1 to 4 Employees	5 to 9 Employees	10 to 14 employees	15 to 19 Employees	GDP Growth Rate 2012-2018			
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	\$ 1,934,214.96	\$ 2,845,686.32	3.6%			
15	2014	\$ 404,558.97	\$ 1,256,908.93	\$ 2,019,131.83	\$ 2,970,619.07	4.4%			
16	2015	\$ 420,664.67	\$ 1,306,947.11	\$ 2,099,514.48	\$ 3,088,880.90	4.0%			
17	2016	\$ 431,929.61	\$ 1,341,945.71	\$ 2,155,737.16	\$ 3,171,597.73	2.7%			
18	2017	\$ 449,897.58	\$ 1,397,769.71	\$ 2,245,414.32	\$ 3,303,533.98	4.2%			
19	2018	\$ 473,187.06	\$ 1,470,126.94	\$ 2,361,650.89	\$ 3,474,545.38	5.2%			
20									
21	Contribution of Individual Employees to Overall Receipts by Employee Cohort								
22		Per Capita Employee Contribution to Receipts							
23		Receipts 2018	Employee Lower-bound	Cohort Average	Employee Upper-bound				
24	1 to 4 Employees	\$ 473,187.06	\$ 473,187.06	\$ 189,274.83	\$ 118,296.77				
25	5 to 9 Employees	\$ 1,470,126.94	\$ 294,025.39	\$ 210,018.13	\$ 163,347.44				
26	10 to 14 employees	\$ 2,361,650.89	\$ 236,165.09	\$ 196,804.24	\$ 157,443.39				
27	15 to 19 Employees	\$ 3,474,545.38	\$ 231,636.36	\$ 204,385.02	\$ 182,870.81				
28	Average for All Groups	\$ 1,944,877.57	\$ 308,753.47	\$ 200,120.56	\$ 155,489.60				
29									
30	Sales receipts bounds, based on the combined group Cohort Average.								
31		Lower-bound	Upper-bound						
32	1 to 4 Employees	\$ 1	\$ 800,482						
33	5 to 9 Employees	\$ 800,483	\$ 1,801,085						
34	10 to 14 Employees	\$ 1,801,086	\$ 2,801,688						
35	15 to 19 Employees	\$ 2,801,689	\$ 3,802,291						
36	**All businesses with total gross sales less than \$800,482.22 were identified as small businesses for this estimate.								

REVENUE ESTIMATING CONFERENCE

Tax: Sales and Use Tax

Issue: Small Business Rent Exemption – 9 or Fewer Employees

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

☒ **Entire Bill**

☐ **Partial Bill:**

Sponsor(s):

Month/Year Impact Begins: January 1, 2021

Date of Analysis: December 13, 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%.

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 9 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.

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 9 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 9 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.

REVENUE ESTIMATING CONFERENCE

Tax: Sales and Use Tax

Issue: Small Business Rent Exemption – 9 or Fewer Employees

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

(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

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

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.

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 9, to find the upper-bound of the gross sales for small businesses. This calculated upper-bound is \$1,801,085.00.

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 90.29% of businesses in the data would qualify for the exemption as a small business (total gross sales less than \$1,801,085.00) under the proposed language.

REVENUE ESTIMATING CONFERENCE

Tax: Sales and Use Tax

Issue: Small Business Rent Exemption – 9 or Fewer Employees

Bill Number(s): [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 8.98% in the high, as 7.63% in the middle, and as 6.23% 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 percentage 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.

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.

Section 4: Proposed Fiscal Impact

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2020-21	(\$73.2 M)	(\$175.6 M)	(\$61.3 M)	(\$147.1 M)	(\$49.3 M)	(\$118.2 M)
2021-22	(\$184.4 M)	(\$184.4 M)	(\$154.5 M)	(\$154.5 M)	(\$124.2 M)	(\$124.2 M)
2022-23	(\$193.7 M)	(\$193.7 M)	(\$162.3 M)	(\$162.3 M)	(\$130.4 M)	(\$130.4 M)
2023-24	(\$203.4 M)	(\$203.4 M)	(\$170.5 M)	(\$170.5 M)	(\$137.0 M)	(\$137.0 M)
2024-25	(\$213.7 M)	(\$213.7 M)	(\$179.0 M)	(\$179.0 M)	(\$143.9 M)	(\$143.9 M)

List of affected Trust Funds: Sales and Use Tax Group

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

	GR		Trust		Revenue Sharing		Local Half Cent	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2020-21	(54.2)	(130.2)	(Insignificant)	(Insignificant)	(1.8)	(4.4)	(5.2)	(12.5)
2021-22	(136.8)	(136.8)	(Insignificant)	(Insignificant)	(4.6)	(4.6)	(13.1)	(13.1)
2022-23	(143.7)	(143.7)	(Insignificant)	(Insignificant)	(4.8)	(4.8)	(13.8)	(13.8)
2023-24	(151.0)	(151.0)	(Insignificant)	(Insignificant)	(5.1)	(5.1)	(14.5)	(14.5)
2024-25	(158.5)	(158.5)	(Insignificant)	(Insignificant)	(5.3)	(5.3)	(15.2)	(15.2)

REVENUE ESTIMATING CONFERENCE

Tax: Sales and Use Tax

Issue: Small Business Rent Exemption – 9 or Fewer Employees

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

	Local Option		Total Local		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2020-21	(8.9)	(21.4)	(16.0)	(38.3)	(70.2)	(168.5)
2021-22	(22.5)	(22.5)	(40.2)	(40.2)	(177.0)	(177.0)
2022-23	(23.7)	(23.7)	(42.3)	(42.3)	(186.0)	(186.0)
2023-24	(24.9)	(24.9)	(44.4)	(44.4)	(195.4)	(195.4)
2024-25	(26.1)	(26.1)	(46.6)	(46.6)	(205.1)	(205.1)

	A	B	C	D	E	F	G
1							
2	Small Business Gross Sales Ratio Analysis with Strata Modifications						
3		Monthly GS < \$10,000	Monthly GS < \$30,000	Monthly GS < \$50,000			
4	Gross Sales (\$)	High	Middle	Low			
5	All Businesses less Commercial Rent	\$ 1,213,443,112,262	\$ 1,213,443,112,262	\$ 1,213,443,112,262			
6	Small Businesses <\$1.80m Gross Sales	\$ 108,980,203,037	\$ 92,640,676,874	\$ 75,540,106,109			
7	**Note: Commercial Rent removed from pool.	**Values in this table come from Descriptive Data rows 32 and 28.					
8							
9		High	Middle	Low			
10	% of Gross Sales going to Commercial Rent	2.656%	2.656%	2.656%			
11	% SB Gross Sales v Total Gross Sales	8.98%	7.63%	6.23%			
12	**Low estimate percentage consistent with ratios calculated above.						
13							
14	Adopted amounts from Post-Session 2019 Conference for Commercial Rent Collections (Adopted:6/12/2019)						
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	\$ (159,206,530)	\$ (135,336,513)	\$ (110,354,705)			
25	2020-21	\$ (167,214,619)	\$ (142,143,940)	\$ (115,905,547)			
26	2021-22	\$ (175,625,514)	\$ (149,293,780)	\$ (121,735,596)			
27	2022-23	\$ (184,459,477)	\$ (156,803,257)	\$ (127,858,896)			
28	2023-24	\$ (193,737,789)	\$ (164,690,461)	\$ (134,290,199)			
29	2024-25	\$ (203,482,800)	\$ (172,974,392)	\$ (141,044,996)			
30							
31	Adjustment for Unknown Base Rate	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	\$ (153,236,285.30)	\$ (167,166,856.69)	\$ (128,400,517.18)	\$ (140,073,291.47)	\$ (103,181,649.40)	\$ (112,561,799.35)
37	2020-21	\$ (175,575,349.58)	\$ (175,575,349.58)	\$ (147,118,978.03)	\$ (147,118,978.03)	\$ (118,223,657.85)	\$ (118,223,657.85)
38	2021-22	\$ (184,406,789.67)	\$ (184,406,789.67)	\$ (154,519,062.62)	\$ (154,519,062.62)	\$ (124,170,307.84)	\$ (124,170,307.84)
39	2022-23	\$ (193,682,451.19)	\$ (193,682,451.19)	\$ (162,291,371.47)	\$ (162,291,371.47)	\$ (130,416,074.33)	\$ (130,416,074.33)
40	2023-24	\$ (203,424,678.48)	\$ (203,424,678.48)	\$ (170,454,627.46)	\$ (170,454,627.46)	\$ (136,976,002.87)	\$ (136,976,002.87)
41	2024-25	\$ (213,656,939.81)	\$ (213,656,939.81)	\$ (179,028,495.22)	\$ (179,028,495.22)	\$ (143,865,895.81)	\$ (143,865,895.81)
42							
43	Impact Estimates (in \$M)						
44							
45		High		Middle		Low	
46		Cash	Recurring	Cash	Recurring	Cash	Recurring
47	2020-21	(\$73.2 M)	(\$175.6 M)	(\$61.3 M)	(\$147.1 M)	(\$49.3 M)	(\$118.2 M)
48	2021-22	(\$184.4 M)	(\$184.4 M)	(\$154.5 M)	(\$154.5 M)	(\$124.2 M)	(\$124.2 M)
49	2022-23	(\$193.7 M)	(\$193.7 M)	(\$162.3 M)	(\$162.3 M)	(\$130.4 M)	(\$130.4 M)
50	2023-24	(\$203.4 M)	(\$203.4 M)	(\$170.5 M)	(\$170.5 M)	(\$137.0 M)	(\$137.0 M)
51	2024-25	(\$213.7 M)	(\$213.7 M)	(\$179.0 M)	(\$179.0 M)	(\$143.9 M)	(\$143.9 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		# of Businesses			
13	Small Businesses under \$1.80m Gross Sales	677,351			
14	All Businesses	750,161			
15	Ratio	90.29%			
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	Cumulative Ratios (to SB)	
19	<\$10,000	454,682	67.13%	67.13%	
20	<\$20,000	64,661	9.55%	76.67%	
21	<\$30,000	36,353	5.37%	82.04%	
22	<\$40,000	24,681	3.64%	85.68%	
23	<\$50,000	18,502	2.73%	88.41%	
24	> or = \$50,000	78,472	11.59%	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	\$ 115,829,976,010.97	\$ 115,829,976,010.97	\$ 115,829,976,010.97	
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	\$ 108,980,203,037.10	\$ 92,640,676,873.75	\$ 75,540,106,108.94	
31	Ratio of SB Gross Sales with Excluded Cohorts	94.09%	79.98%	65.22%	
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	Strata Ratios to All Businesses	91.02%	92.37%	93.77%	

	A	B	C	D	E	F	G	H	I
1									
2	2012 SUSB Census Data								
3	GEOGRAPHIC AREA DESCRIPTION	NAICS DESCRIPTION	ENTERPRISE EMPLOYMENT SIZE	NUMBER OF FIRMS	NUMBER OF ESTABLISHMENTS	EMPLOYMENT	ANNUAL PAYROLL (\$1,000)	ESTIMATED RECEIPTS (\$1,000)	AVG RECEIPTS PER FIRM
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	Receipts adjusted 2018 Rate by GDP % Growth	1 to 4 Employees	5 to 9 Employees	10 to 14 employees	15 to 19 Employees	GDP Growth Rate 2012-2018			
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	\$ 1,934,214.96	\$ 2,845,686.32	3.6%			
15	2014	\$ 404,558.97	\$ 1,256,908.93	\$ 2,019,131.83	\$ 2,970,619.07	4.4%			
16	2015	\$ 420,664.67	\$ 1,306,947.11	\$ 2,099,514.48	\$ 3,088,880.90	4.0%			
17	2016	\$ 431,929.61	\$ 1,341,945.71	\$ 2,155,737.16	\$ 3,171,597.73	2.7%			
18	2017	\$ 449,897.58	\$ 1,397,769.71	\$ 2,245,414.32	\$ 3,303,533.98	4.2%			
19	2018	\$ 473,187.06	\$ 1,470,126.94	\$ 2,361,650.89	\$ 3,474,545.38	5.2%			
20									
21	Contribution of Individual Employees to Overall Receipts by Employee Cohort								
22			Per Capita Employee Contribution to Receipts						
23		Receipts 2018	Employee Lower-bound	Cohort Average	Employee Upper-bound				
24	1 to 4 Employees	\$ 473,187.06	\$ 473,187.06	\$ 189,274.83	\$ 118,296.77				
25	5 to 9 Employees	\$ 1,470,126.94	\$ 294,025.39	\$ 210,018.13	\$ 163,347.44				
26	10 to 14 employees	\$ 2,361,650.89	\$ 236,165.09	\$ 196,804.24	\$ 157,443.39				
27	15 to 19 Employees	\$ 3,474,545.38	\$ 231,636.36	\$ 204,385.02	\$ 182,870.81				
28	Average for All Groups	\$ 1,944,877.57	\$ 308,753.47	\$ 200,120.56	\$ 155,489.60				
29									
30	Sales receipts bounds, based on the combined group Cohort Average.								
31		Lower-bound	Upper-bound						
32	1 to 4 Employees	\$ 1	\$ 800,482						
33	5 to 9 Employees	\$ 800,483	\$ 1,801,085						
34	10 to 14 Employees	\$ 1,801,086	\$ 2,801,688						
35	15 to 19 Employees	\$ 2,801,689	\$ 3,802,291						
36	**All businesses with total gross sales less than \$1,801,085.00) were identified as small businesses for this estimate.								

REVENUE ESTIMATING CONFERENCE

Tax: Sales and Use Tax

Issue: Postsecondary Textbooks Exemption

Bill Number(s): Proposed language

☒ **Entire Bill**

☐ **Partial Bill:**

Sponsor(s):

Month/Year Impact Begins: The effective date of the bill is July 1, 2020.

Date of Analysis: December 13, 2019

Section 1: Narrative

a. Current Law:

Under current law in Ch. 212, F.S., the sale and rental of postsecondary education textbooks and instructional materials are subject to the 6% Sales and Use Tax.

b. Proposed Change:

The proposed language provides an exemption from the Sales and Use Tax for “textbooks that are required or recommended for use in a course” offered by an eligible public or private postsecondary educational institution. Eligible postsecondary educational institutions are defined to include Public Postsecondary Institutions as per S. 1000.04, F.S. (Florida College System institutions, State Universities, career centers) and private institutions eligible to participate in the Effective Access to Student Education Program (EASE) and Education (ABLE) Grant Program.

The amendment defines textbooks to mean “any required or recommended manual of instruction or any instructional materials for any field of study.” Instructional materials are defined to mean “any educational materials, in printed or digital format, that are required or recommended for use in a course in any field of study.” It is assumed the exemption would apply to both the sale and rental of textbooks, to hard copy and electronic materials.

In order to obtain the tax exemption, a student must provide to the vendor a copy (physical or electronic) of the student’s identification number and an applicable course syllabus or list of required and recommended textbooks and instructional materials that meet the criteria in s. 1004.085(3), F.S.

Section 2: Description of Data and Sources

- Impact Analysis of Senate Amendment 496616 to HB 33A (1st Engrossed), Revenue Estimating Conference held June 11, 2015.
- *Trends in College Pricing, 2019*. The College Board, Annual Survey of Colleges. Available at: <http://trends.collegeboard.org/college-pricing> (last accessed 12/11/19).
- *Higher Education Retail Market Facts and Figures, 2017-18*. National Association of College Stores. Available at: <http://www.nacs.org/research/industrystatistics/higheredfactsfigures.aspx> (last accessed 12/11/19).
- *Integrated Postsecondary Education Data System*. National Center for Education Statistics. Available at: <http://www.nces.ed.gov/ipeds> (last accessed 12/11/19).
- Florida Population Growth Rates, Dec 2019 Demographic Estimating Conference.

Section 3: Methodology (Include Assumptions and Attach Details)

According to National Association of College Stores, during the 2018-19 academic year, college students spent an average of \$415 on nine required course materials. That’s down from \$484 on nine units the previous academic year, and a decrease from \$701 since 2008, according to the Student Watch™. Where possible, students try to purchase used textbooks (typically offered at a 25 percent price discount to new books) or they try to rent textbooks. The textbook rental market has expanded in recent years, offering students a variety of short-term, lower-cost rental options.

To develop the estimates for the proposed language, enrollment information for the institutions qualifying for the exemption was obtained from the federal Integrated Postsecondary Education Data System (IPEDS). The most recent information available was fall 2018 enrollment. The fall 2018 enrollments were increased by Florida population growth to project annual enrollment for Fiscal Year 2020-21. It is assumed that full-time students enroll in 10 courses (30 credit hours) per year, part-time students enroll in five courses (15 credit hours) per year, and part-time less-than two year public students enroll in two courses.

The **High Estimate** assumes that students spend \$46 per course or \$415 per year. It is assumed that 85 percent of expenditures will be exempt.

REVENUE ESTIMATING CONFERENCE

Tax: Sales and Use Tax

Issue: Postsecondary Textbooks Exemption

Bill Number(s): Proposed language

The **Middle Estimate** assumes that students spend \$37 per course or \$332 per year. It is assumed that 80 percent of expenditures will be exempt.

The **Low Estimate** assumes that students spend \$35 per course or \$311 per year. It is assumed that 75 percent of expenditures will be exempt.

Section 4: Proposed Fiscal Impact:

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2020-21	-18.9	-18.9	-14.2	-14.2	-12.5	-12.5
2021-22	-19.2	-19.2	-14.4	-14.4	-12.7	-12.7
2022-23	-19.5	-19.5	-14.6	-14.6	-12.9	-12.9
2023-24	-19.7	-19.7	-14.9	-14.9	-13.1	-13.1
2024-25	-20	-20	-15.1	-15.1	-13.2	-13.2

List of affected Trust Funds:

Sales and Use Tax Grouping

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

	GR		Trust		Revenue Sharing		Local Half Cent	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2020-21	(16.8)	(16.8)	(Insignificant)	(Insignificant)	(0.6)	(0.6)	(1.6)	(1.6)
2021-22	(17.0)	(17.0)	(Insignificant)	(Insignificant)	(0.6)	(0.6)	(1.6)	(1.6)
2022-23	(17.2)	(17.2)	(Insignificant)	(Insignificant)	(0.6)	(0.6)	(1.7)	(1.7)
2023-24	(17.5)	(17.5)	(Insignificant)	(Insignificant)	(0.6)	(0.6)	(1.7)	(1.7)
2024-25	(17.7)	(17.7)	(Insignificant)	(Insignificant)	(0.6)	(0.6)	(1.7)	(1.7)

	Local Option		Total Local		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2020-21	(2.8)	(2.8)	(4.9)	(4.9)	(21.7)	(21.7)
2021-22	(2.8)	(2.8)	(5.0)	(5.0)	(22.0)	(22.0)
2022-23	(2.8)	(2.8)	(5.1)	(5.1)	(22.3)	(22.3)
2023-24	(2.9)	(2.9)	(5.1)	(5.1)	(22.6)	(22.6)
2024-25	(2.9)	(2.9)	(5.2)	(5.2)	(22.9)	(22.9)

Proposed Language - Sales Tax Exemption for Textbooks

12/13/2019

1. Florida 2018 student enrollment.

Florida Fall 2018 Enrollment

IPEDS Sector name	Program		All Students	Undergraduate Students				
			Total, All students	Full-time	Part-time	Total, All Undergraduate Students	Full-time Undegraduate	Part-time Undegraduate
Private for-profit, 2-year	Private for-profit, 2-year		19,757	19,189	568	19,757	19,189	568
Private for-profit, 4-year or above	ABLE		4,044	2,687	1,357	3,818	2,640	1,178
	EASE		2,956	1,958	998	2,439	1,778	661
	Private for-profit, 4-year or above		43,822	34,766	9,056	40,230	31,850	8,380
Private for-profit, less-than 2-year	Private for-profit, less-than 2-year		14,612	11,900	2,712	14,612	11,900	2,712
Private not-for-profit, 2-year	Private not-for-profit, 2-year		20,497	19,306	1,191	20,497	19,306	1,191
Private not-for-profit, 4-year or above	ABLE		3,254	2,487	767	2,371	1,827	544
	EASE		159,380	120,750	38,630	114,967	91,643	23,324
	Private not-for-profit, 4-year or above		17,251	6,707	10,544	12,803	4,309	8,494
Private not-for-profit, less-than 2-year	Private not-for-profit, less-than 2-year		729	705	24	729	705	24
Public, 2-year	Public, 2-year		47,659	27,334	20,325	47,659	27,334	20,325
Public, 4-year or above	Public, 4-year or above		777,268	401,028	376,240	707,095	359,435	347,660
Public, less-than 2-year	Public, less-than 2-year		6,249	4,035	2,214	6,249	4,035	2,214

Source: National Center of Education Statistics, IPEDS, Fall 2018 Enrollment, <https://nces.ed.gov/ipeds/datacenter/Data.aspx>.

Florida 2018 Enrollment by Program Length

Total Full-Time Four-Year	528,910
Total Full-Time Two-Year	27,334
Total Full-Time Less than Two Year	4,035
Total Part-Time Four-Year	417,992
Total Part-Time Two-Year	20,325
Total Part-Time Less than Two Year	2,214

	FY	FY	2020-21	2021-22	2022-23	2023-24
STUDENT POPULATION - POSTSEC ED	Fall 2018	Fall 2019 est	Fall 2020 est	Fall 2021 est	Fall 2022 est	Fall 2023 est
Total Full-Time Four-Year	528,910	538,281	547,289	555,916	564,319	572,456
Total Full-Time Two-Year	27,334	27,818	28,284	28,730	29,164	29,585
Total Full-Time Less than Two Year	4,035	4,106	4,175	4,241	4,305	4,367
Total Part-Time Four-Year	417,992	425,398	432,517	439,335	445,976	452,407
Total Part-Time Two-Year	20,325	20,685	21,031	21,363	21,686	21,999
Total Part-Time Less than Two Year	2,214	2,253	2,291	2,327	2,362	2,396
TOTAL	1,000,810	1,018,541	1,035,587	1,051,912	1,067,812	1,083,210
Population Growth (FDEC)		1.77%	2019-20 1.67%	2020-21 1.58%	2021-22 1.51%	2022-23 1.44%

2020-21	High	Middle	Low	2021-22	High	Middle	Low	2022-23	High	Middle	Low	2023-24	High	Middle	Low	2024-25	High	Middle	Low
Estimated Number of Postsecondary Students (Fall 2020)																			
Total Full-Time Four-Year	547,289	547,289	547,289	555,916	555,916	555,916	555,916	564,319	564,319	564,319	564,319	572,456	572,456	572,456	572,456	580,268	580,268	580,268	580,268
Total Full-Time Two-Year	28,284	28,284	28,284	28,730	28,730	28,730	28,730	29,164	29,164	29,164	29,164	29,585	29,585	29,585	29,585	29,989	29,989	29,989	29,989
Total Full-Time Less than Two Year	4,175	4,175	4,175	4,241	4,241	4,241	4,241	4,305	4,305	4,305	4,305	4,367	4,367	4,367	4,367	4,427	4,427	4,427	4,427
Total Part-Time Four-Year	432,517	432,517	432,517	439,335	439,335	439,335	439,335	445,976	445,976	445,976	445,976	452,407	452,407	452,407	452,407	458,581	458,581	458,581	458,581
Total Part-Time Two-Year	21,031	21,031	21,031	21,363	21,363	21,363	21,363	21,686	21,686	21,686	21,686	21,999	21,999	21,999	21,999	22,299	22,299	22,299	22,299
Total Part-Time Less than Two Year	2,291	2,291	2,291	2,327	2,327	2,327	2,327	2,362	2,362	2,362	2,362	2,396	2,396	2,396	2,396	2,429	2,429	2,429	2,429
Total Courses per Year																			
Total Full-Time Four-Year	10	5,472,890	5,472,890	5,472,890	5,559,160	5,559,160	5,559,160	5,643,190	5,643,190	5,643,190	5,643,190	5,724,560	5,724,560	5,724,560	5,724,560	5,802,680	5,802,680	5,802,680	5,802,680
Total Full-Time Two-Year	10	282,840	282,840	282,840	287,300	287,300	287,300	291,640	291,640	291,640	291,640	295,850	295,850	295,850	295,850	299,890	299,890	299,890	299,890
Total Full-Time Less than Two Year	5	20,875	20,875	20,875	21,205	21,205	21,205	21,525	21,525	21,525	21,525	21,835	21,835	21,835	21,835	22,135	22,135	22,135	22,135
Total Part-Time Four-Year	5	2,162,585	2,162,585	2,162,585	2,196,675	2,196,675	2,196,675	2,229,880	2,229,880	2,229,880	2,229,880	2,262,035	2,262,035	2,262,035	2,262,035	2,292,905	2,292,905	2,292,905	2,292,905
Total Part-Time Two-Year	5	105,155	105,155	105,155	106,815	106,815	106,815	108,430	108,430	108,430	108,430	109,995	109,995	109,995	109,995	111,495	111,495	111,495	111,495
Total Part-Time Less than Two Year	2	4,582	4,582	4,582	4,654	4,654	4,654	4,724	4,724	4,724	4,724	4,792	4,792	4,792	4,792	4,858	4,858	4,858	4,858
Expenditures on Textbooks per Course																			
Four-Year Institutions	\$46	\$37	\$35	\$46	\$37	\$35	\$35	\$46	\$37	\$35	\$35	\$46	\$37	\$35	\$35	\$46	\$37	\$35	\$35
Two-Year Institutions	\$46	\$37	\$35	\$46	\$37	\$35	\$35	\$46	\$37	\$35	\$35	\$46	\$37	\$35	\$35	\$46	\$37	\$35	\$35
Total Estimated Exempt Expenditures (85% - 80% - 75%)																			
Four-Year Institutions	\$299,268,200.69	\$225,331,351	\$198,045,133	\$303,985,644	\$228,883,308	\$201,166,970	\$201,166,970	\$308,580,605	\$232,343,044	\$204,207,753	\$204,207,753	\$313,030,154	\$235,693,292	\$207,152,308	\$207,152,308	\$317,301,957	\$238,909,708	\$209,979,236	\$209,979,236
Two-Year Institutions	\$15,207,248	\$11,450,164	\$10,063,620	\$15,447,118	\$11,630,772	\$10,222,358	\$10,222,358	\$15,680,521	\$11,806,510	\$10,376,816	\$10,376,816	\$15,906,869	\$11,976,937	\$10,526,605	\$10,526,605	\$16,124,007	\$12,140,428	\$10,670,298	\$10,670,298
Less than Two-Year Institutions	\$997,773	\$751,264	\$660,291	\$1,013,529	\$763,128	\$670,718	\$670,718	\$1,028,815	\$774,637	\$680,833	\$680,833	\$1,043,630	\$785,792	\$690,638	\$690,638	\$1,057,976	\$796,593	\$700,131	\$700,131
	85%	80%	75%	85%	80%	75%	75%	85%	80%	75%	75%	85%	80%	75%	75%	85%	80%	75%	75%
Total Estimated Exempt Expenditures	\$314,475,449	\$236,781,515	\$208,108,753	\$319,432,763	\$240,514,080	\$211,389,328	\$211,389,328	\$324,261,126	\$244,149,554	\$214,584,569	\$214,584,569	\$328,937,023	\$247,670,229	\$217,678,913	\$217,678,913	\$333,425,963	\$251,050,137	\$220,649,534	\$220,649,534
Estimated Sales Tax Collections (6%)	\$18,868,527	\$14,206,891	\$12,486,525	\$19,165,966	\$14,430,845	\$12,683,360	\$12,683,360	\$19,455,668	\$14,648,973	\$12,875,074	\$12,875,074	\$19,736,221	\$14,860,214	\$13,060,735	\$13,060,735	\$20,005,558	\$15,063,008	\$13,238,972	\$13,238,972
TOTAL ESTIMATED IMPACT TO SALES TAX (millions)	-\$18.9	-\$14.2	-\$12.5	-\$19.2	-\$14.4	-\$12.7	-\$12.7	-\$19.5	-\$14.6	-\$12.9	-\$12.9	-\$19.7	-\$14.9	-\$13.1	-\$13.1	-\$20.0	-\$15.1	-\$13.2	-\$13.2