

## REVENUE ESTIMATING CONFERENCE

**Tax:** Ad Valorem

**Issue:** Ad Valorem Taxation of Construction Equipment

**Bill Number(s):** [HB751](#)

**Entire Bill**

**Partial Bill:**

**Sponsor(s):**

**Month/Year Impact Begins:** July 1, 2022

**Date of Analysis:** January 28, 2022

### Section 1: Narrative

#### a. Current Law:

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

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

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

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

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

#### b. Proposed Change:

This language would add a third paragraph to s. 192.001(11), F.S. It states "3. Notwithstanding any provision in this section to the contrary, the term 'inventory,' for all levies other than school district levies, also means construction equipment owned by a heavy equipment rental dealer that is for sale or short-term rental in the normal course of business on the annual assessment date. For the purposes of this chapter and chapter 196, the term 'heavy equipment rental dealer' means a person or entity principally engaged in the business of short-term rentals and sales of equipment described under 532412 of the North American Industry Classification System including attachments for the equipment or other ancillary equipment. As used in this subparagraph, the term 'short-term rental' means the rental of a heavy equipment dealer's rental property for fewer than 365 days under an open-ended contract or under a contract with unlimited terms. The prior short-term rental of any construction equipment does not disqualify such property from qualifying as inventory under this paragraph following the term of prior short-term rental. The term 'inventory' does not include heavy equipment rented with an operator."

### Section 2: Description of Data and Sources

2021 Final Tangible Personal Property (TPP) Rolls

Ad Valorem Assessments Revenue Estimating Conference, August 2021

Communications with various property appraiser's offices

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

This impact is based on the aggregated just and taxable values for specific NAICS codes on the 2019 final TPP rolls. The analysis primarily uses the value of TPP accounts classified under NAICS code 532412.

The just value of TPP is reported in two parts: leasehold improvements (JV\_LESE\_IMP) and furniture/fixtures/equipment (JV\_F\_F\_E). The total taxable value of the NAICS 532412 accounts was adjusted to exclude leasehold improvements.

Under the assumption that owners of leased equipment currently assigned a related NAICS code would attempt to reclassify their equipment to NAICS 532412 to reduce their tax liability, the middle and high estimates have portions of code

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532490 (Other Commercial and Industrial Machinery and Equipment Rental and Leasing) added to the impact estimate. The low estimate only includes NAICS 532412 (and the seven misclassified accounts). The middle estimate also includes 0.75% of NAICS 532490's F/F/E taxable value and the high estimate also includes 1.5%.

The 2020 taxable values are grown throughout the forecast period by the annual growth rate of the adopted TPP taxable value estimates from the most recent Ad Valorem REC. As the language limits the change to non-school levies, the fiscal impact was calculated with the 2020 effective statewide millage rate for non-school purposes.

This language is a committee amendment to proposed language that goes into effect July 1, 2022. The cash impacts begin in the 2023-24 fiscal year.

**Section 4: Proposed Fiscal Impact**

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

Year	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2022-23	\$ -	\$ (20.4 M)	\$ -	\$ (20.1 M)	\$ -	\$ (19.8 M)
2023-24	\$ (21.1 M)	\$ (21.1 M)	\$ (20.7 M)	\$ (20.7 M)	\$ (20.4 M)	\$ (20.4 M)
2024-25	\$ (21.7 M)	\$ (21.7 M)	\$ (21.4 M)	\$ (21.4 M)	\$ (21.0 M)	\$ (21.0 M)
2025-26	\$ (22.3 M)	\$ (22.3 M)	\$ (22.0 M)	\$ (22.0 M)	\$ (21.7 M)	\$ (21.7 M)
2026-27	\$ (23.0 M)	\$ (23.0 M)	\$ (22.7 M)	\$ (22.7 M)	\$ (22.3 M)	\$ (22.3 M)

**Section 5: Consensus Estimate (Adopted: 01/28/2022): The Conference adopted the proposed estimate.**

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2022-23		0.0	0.0	0.0	0.0	(20.1)	0.0	(20.1)
2023-24	0.0	0.0	0.0	0.0	(20.7)	(20.7)	(20.7)	(20.7)
2024-25	0.0	0.0	0.0	0.0	(21.4)	(21.4)	(21.4)	(21.4)
2025-26	0.0	0.0	0.0	0.0	(22.0)	(22.0)	(22.0)	(22.0)
2026-27	0.0	0.0	0.0	0.0	(22.7)	(22.7)	(22.7)	(22.7)

	A	B	C	D	E	F	G	H
1	<b>Impact Calculations</b>							
2								
3	<b>Taxable Value Aggregates</b>							
4								
5		- 2021F TPP rolls were aggregated by NAICS Code						
6		- Base calculation only includes TPP already classified as 532412.						
7								
8		<b>NAICS_CODE</b>	<b>JV_F_F_E</b>	<b>JV_LESE_IMP</b>	<b>JV_TOTAL</b>	<b>AV_TOTAL</b>	<b>EXMPT_VAL</b>	<b>TAX_VAL</b>
9		532412	1,809,334,460	3,685,370	1,813,019,830	1,813,019,830	19,957,971	1,793,061,859
10		532490	3,799,376,190	22,267,752	3,821,643,942	3,820,749,702	135,526,755	3,685,222,947
11								
12	<b>Adjustments to exclude leasehold improvements</b>							
13		- Because Leasehold Improvements are not subject to this exemption, the same ratio of JV_F_F_E:JV_TOTAL is used to adjust the TAX_VAL						
14								
15		<b>Basic Calculation</b>						
16		<b>NAICS_CODE</b>	<b>% of TPP not LESE_IMP on Rolls</b>	<b>2021 TV for Relevant TPP</b>				
17		532412	99.8%	1,789,417,058				
18								
19	<b>Add related NAICS that may be reclassified to receive exemption</b>							
20								
21		<b>NAICS_CODE</b>	<b>Adjusted % of TPP not LESE_IMP</b>	<b>2021 TV for Relevant TPP</b>				
22		532490	99.4%	3,663,750,086				
23								
24		<b>Estimate</b>	<b>% Reclassified</b>	<b>Other NAICS Added to Base Estimate</b>	<b>Base + Added Value</b>			
25		High	1.5%	54,956,251	1,844,373,309			
26		Middle	0.75%	27,478,126	1,816,895,184			
27		Low	0%	0	1,789,417,058			
28								

	A	B	C	D	E	F	G	H
29	<b>Taxable Value Projections</b>							
30								
31					<b>TAXABLE VALUE ESTIMATES</b>			
32		Roll Year	Projected Total TPP TV	Annual Growth	HIGH	MIDDLE	LOW	
33		2021	\$ 141,689		1,844,373,309	1,816,895,184	1,789,417,058	
34		2022	\$ 145,940	3%	1,899,708,804	1,871,406,271	1,843,103,737	
35		2023	\$ 150,313	3%	1,956,632,380	1,927,481,779	1,898,331,178	
36		2024	\$ 154,818	3%	2,015,274,206	1,985,249,939	1,955,225,671	
37		2025	\$ 159,458	3%	2,075,673,335	2,044,749,220	2,013,825,105	
38		2026	\$ 164,241	3%	2,137,933,902	2,106,082,207	2,074,230,512	
39		2027	\$ 169,172	3%	2,202,120,994	2,169,313,017	2,136,505,040	
40		<i>Source: Aug 2021 AV REC</i>						
41								
42	<b>Fiscal Impact Calculation</b>							
43								
44		- Amended bill only applies to non-school levies.						
45								
46		2021F Statewide Millage Rate						
47		Non-School	10.7585					
48								
49		<b>Tax Impact Estimates</b>						
50		Roll Year	HIGH	MIDDLE	LOW			
51		2022	-20,438,017	-20,133,524	-19,829,032			
52		2023	-21,050,429	-20,736,813	-20,423,196			
53		2024	-21,681,328	-21,358,311	-21,035,295			
54		2025	-22,331,132	-21,998,434	-21,665,737			
55		2026	-23,000,962	-22,658,285	-22,315,609			
56		2027	-23,691,519	-23,338,554	-22,985,589			
57								
58	<b>Impact Summary</b>							
59								
60		<b>Non-School Impact</b>						
61			High		Middle		Low	
62		Year	Cash	Recurring	Cash	Recurring	Cash	Recurring
63		2022-23	\$ -	\$ (20.4 M)	\$ -	\$ (20.1 M)	\$ -	\$ (19.8 M)
64		2023-24	\$ (21.1 M)	\$ (21.1 M)	\$ (20.7 M)	\$ (20.7 M)	\$ (20.4 M)	\$ (20.4 M)
65		2024-25	\$ (21.7 M)	\$ (21.7 M)	\$ (21.4 M)	\$ (21.4 M)	\$ (21.0 M)	\$ (21.0 M)
66		2025-26	\$ (22.3 M)	\$ (22.3 M)	\$ (22.0 M)	\$ (22.0 M)	\$ (21.7 M)	\$ (21.7 M)
67		2026-27	\$ (23.0 M)	\$ (23.0 M)	\$ (22.7 M)	\$ (22.7 M)	\$ (22.3 M)	\$ (22.3 M)



## REVENUE ESTIMATING CONFERENCE

**Tax:** Beverage Taxes and Fees

**Issue:** Malt Beverages

**Bill Number(s):** HB 1451

**Entire Bill**

**Partial Bill:**

**Sponsor(s):** Representative DiCeglie

**Month/Year Impact Begins:** July 1, 2022

**Date of Analysis:** January 28, 2022

### Section 1: Narrative

#### a. Current Law:

##### Licenses

Chapter 561, F.S., regulates alcoholic beverages in Florida. Florida has adopted a three-tier system where only licensed vendors are permitted to sell alcoholic beverages directly to consumers. Licensed manufacturers and licensed distributors are prohibited from also being licensed as vendors. However, there are some exceptions to these regulations. Brew pubs and craft breweries are allowed to manufacture beverages and sell them to customers. These exceptions were added to permit a vendor to be licensed as a manufacturer of malt beverages at a single location. Brewpubs must keep records and pay excise taxes for the malt beverages it sells or gives to consumers.

A vendor engaged in brewing malt beverage may not exceed 10,000 kegs per year. Section 561.221(3)(a)(1), F.S. defines "keg" as 15.5 gallons. The malt beverage brewed will be sold to consumers on the vendor's licensed premises or on contiguous licensed premises owned by the vendor. Wine or liquor may be sold for on-premises consumption as authorized by its vendor's license. The division is authorized to issue a vendor's license to a manufacturer of malt beverages for the sale of alcoholic beverages on property consisting of a single complex that includes a brewery (craft brewery), which may be divided by no more than one public street or highway.

A manufacturer engaged in brewing only malt beverages shall pay an annual state license tax of \$3,000 for each plant or branch he or she operates. However, each brew pubs engaged in brewing less than 10,000 kegs of malt beverages annually for consumption on the premises pursuant to s. 561.221(3) shall pay an annual state license tax of \$500 for each plant or branch.

##### Excise Taxes on Malt Beverages

Malt beverages are taxed at a rate of \$0.48 per gallon. When such beverages are sold in containers of less than 1 gallon, the tax is \$0.06 cents on each pint or fraction thereof in the container.

#### b. Proposed Change:

##### Licensing (Sections 1, 2, and 7)

The bill creates a new definition for "barrel" to replace the unit of measurement for "keg," which is currently used to determine licensure. Current statute defines "keg" as 15.5 gallons. HB 1451 defines a "barrel" as 31 gallons. The bill requires that a vendor engaged in brewing malt beverages at a single location must not exceed 5,000 barrels of beer, instead of 10,000 kegs per year currently in statute.

The bill changes s. 563.02(2), F.S. by expanding the \$500 brew pub vendor license fee to include craft breweries. This allows such brewers to pay a smaller annual state license tax for each plant or branch, instead of the \$3,000 annual license fee under current law.

##### Excise Tax for Malt Beverage Pints (Section 6)

The bill lowers the excise tax for pints from "6 cents per pint or fraction thereof" to 0.375 cents per ounce. This aligns the excise tax rate for pints with kegs, barrels, and quarts at 48 cents per gallon.

### Section 2: Description of Data and Sources

January 21, 2022 General Revenue Estimating Conference, Beverage Taxes

Florida Demographic Estimating Conference, December 2021

DBPR November 2021 Beer Manufacturer Report

Florida Beer Wholesalers Association Industry Data

Conversation with DBPR staff

**REVENUE ESTIMATING CONFERENCE**

**Tax:** Beverage Taxes and Fees

**Issue:** Malt Beverages

**Bill Number(s):** HB 1451

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

New Definition and Licensing (Sections 1, 2, and 7)

HB 1451 replaces the “10,000 kegs” per year limit with the new unit of measurement of “barrel” and requires that a single location may not exceed “5,000 barrels of beer per year”. Because the bill defines a barrel as exactly twice the amount of a keg, it does not increase the gallon limit brewed at a single location per year to qualify for the lower fee. Since it does not increase the gallon limit, the number of businesses that can be licensed under this section does not change.

Section 7 expands the brew pub \$500 license tax to include craft breweries if they brew less than 5,000 barrels (or 155,000 gallons) instead of the \$3,000 license tax under current law. DBPR’s November 2021 report lists 334 active beer manufacturer licenses. Discussions with DBPR staff indicate that out of the 334, only 2 produce more than 155,000 gallons annually and will not qualify for the lower license fee.

The analysis calculates the collections from the license fees based on current law. The proposed estimate assumes all but 2 beer manufacturers will qualify for the lower fee. The difference is taken by subtracting the total license collections under the HB 1451 from the collections under current law to calculate the impact estimate. The estimate is grown in the out years using the population forecast from the December 2021 Florida Demographic Estimating Conference.

Excise Tax for Malt Beverage (Section 6)

In current law, beer sold in containers of less than one gallon are taxed at the rate of “6 cents per pint or fraction thereof in the container.” The US measurement for a pint is 16 fluid ounces (fl oz). However, units of beer are most frequently sold in 12 fl oz containers per industry standard. Because data is collected and forecasted in gallons, an adjustment must be made to account for the difference in units of measurement. The pint excise tax is calculated using the formula below:

$$12 / 16 = 0.75$$

$$\text{Pints per gallon} = 8$$

$$8 / 0.75 = 10.667$$

$$10.667 * \$0.06 = \$0.64 \text{ tax per gallon}$$

HB 1451 bypasses the need for this adjustment by requiring a \$0.00375 excise tax per ounce sold. At 128 fl oz per gallon, the excise tax rate per gallon is \$0.48. This aligns the pints tax rate with the tax rate of beer sold in bulk, quarts, and kegs.

The impact estimate uses the beverage forecast from the January 2022 General Revenue Estimating Conference. The proposed estimate is the difference between estimated pint taxes that would be collected under current law and pint taxes that would be collected under HB 1451.

**Section 4: Proposed Fiscal Impact**

**Licenses**

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2022-23			\$(0.8 M)	\$(0.8 M)		
2023-24			\$(0.9 M)	\$(0.9 M)		
2024-25			\$(0.9 M)	\$(0.9 M)		
2025-26			\$(0.9 M)	\$(0.9 M)		
2026-27			\$(0.9 M)	\$(0.9 M)		

**Excise Tax**

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2022-23			\$(48.4 M)	\$(58.0 M)		
2023-24			\$(58.5 M)	\$(58.5 M)		
2024-25			\$(59.0 M)	\$(59.0 M)		
2025-26			\$(59.5 M)	\$(59.5 M)		
2026-27			\$(59.9 M)	\$(59.9 M)		

**REVENUE ESTIMATING CONFERENCE**

**Tax:** Beverage Taxes and Fees

**Issue:** Malt Beverages

**Bill Number(s):** HB 1451

**List of affected Trust Funds:**

General Revenue

Alcoholic Beverage and Tobacco Trust Fund

**Section 5: Consensus Estimate (Adopted: 01/28/2022) The Conference adopted the proposed estimate.**

**Licenses**

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2022-23	(0.1)	(0.1)	(0.8)	(0.8)	0.0	0.0	(0.9)	(0.9)
2023-24	(0.1)	(0.1)	(0.8)	(0.8)	0.0	0.0	(0.9)	(0.9)
2024-25	(0.1)	(0.1)	(0.8)	(0.8)	0.0	0.0	(0.9)	(0.9)
2025-26	(0.1)	(0.1)	(0.8)	(0.8)	0.0	0.0	(0.9)	(0.9)
2026-27	(0.1)	(0.1)	(0.8)	(0.8)	0.0	0.0	(0.9)	(0.9)

**Excise Tax**

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2022-23	(47.4)	(56.9)	(1.0)	(1.2)	0.0	0.0	(48.4)	(58.0)
2023-24	(57.3)	(57.3)	(1.2)	(1.2)	0.0	0.0	(58.5)	(58.5)
2024-25	(57.8)	(57.8)	(1.2)	(1.2)	0.0	0.0	(59.0)	(59.0)
2025-26	(58.3)	(58.3)	(1.2)	(1.2)	0.0	0.0	(59.5)	(59.5)
2026-27	(58.7)	(58.7)	(1.2)	(1.2)	0.0	0.0	(59.9)	(59.9)

**Craft Brewery License Fee**

License Tax	
	\$500
	\$3,000

Brewery Count:	<b>334</b>
Total Fee Collections:	<b>\$1,002,000</b>

Middle	
More than 155000	
Gallons	2
Less than 155000	
Gallons	332
HB1451 Total Licence	
Collections	\$172,000
Tax Loss	(\$830,000)

**Definiton Change**

Gallons per Unit	
Keg	15.5
Barrel (HB 1451)	31

Unit Limit	
Keg	10000
Barrel (HB 1451)	5000

Gallon Limit	
Current Law	155000
HB 1451	155000

Year	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
22-23			\$(0.8 M)	\$(0.8 M)		
23-24			\$(0.9 M)	\$(0.9 M)		
24-25			\$(0.9 M)	\$(0.9 M)		
25-26			\$(0.9 M)	\$(0.9 M)		
26-27			\$(0.9 M)	\$(0.9 M)		

**Beer Pints Excise Tax Impact**  
**1/25/2022**

	BEER PINTS GALLONAGE FORECAST (JAN 2022)	CURRENT EXCISE TAX REVENUE	HB 1451 EXCISE TAX REVENUE	DIFFERENCE
FY 11-12	333.4	\$207.8		
FY 12-13	330.7	\$206.0		
FY 13-14	334.7	\$208.5		
FY 14-15	338.2	\$210.7		
FY 15-16	345.9	\$215.5		
FY 16-17	347.5	\$216.5		
FY 17-18	344.9	\$214.9		
FY 18-19	347.9	\$216.8		
FY 19-20	353.0	\$220.0		
FY 20-21	369.7	\$230.3		
FY 21-22	369.7	\$230.3	\$172.8	(\$57.59)
FY 22-23	372.6	\$232.2	\$174.1	(\$58.04)
FY 23-24	375.6	\$234.1	\$175.6	(\$58.52)
FY 24-25	378.6	\$235.9	\$176.9	(\$58.98)
FY 25-26	381.6	\$237.8	\$178.4	(\$59.45)
FY 26-27	384.7	\$239.7	\$179.8	(\$59.93)

Current Law [s.563.05, F.S.]	
Pints per Gallon	8
Beer Pint Conversion	0.75
Pint Gallonage Adjustment	10.667
Pint Excise Tax	\$0.06
<b>Excise Tax per Gallon</b>	<b>\$0.64</b>

HB 1451	
Ounces Per Gallon	128
Ounce Excise Tax	\$0.00375
<b>Excise Tax per Gallon</b>	<b>\$0.48</b>

Revenue Adjustments	
Breakage	0.14%
Dealer Collection Allowance	2.5%

	ABT Trust Fund Impact	GR Impact	Total
FY 21-22	(\$1.15)	(\$56.43)	<b>(\$57.59)</b>
FY 22-23	(\$1.16)	(\$56.88)	<b>(\$58.04)</b>
FY 23-24	(\$1.17)	(\$57.35)	<b>(\$58.52)</b>
FY 24-25	(\$1.18)	(\$57.80)	<b>(\$58.98)</b>
FY 25-26	(\$1.19)	(\$58.26)	<b>(\$59.45)</b>
FY 26-27	(\$1.20)	(\$58.73)	<b>(\$59.93)</b>

Year	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
22-23			\$(48.4 M)	\$(58.0 M)		
23-24			\$(58.5 M)	\$(58.5 M)		
24-25			\$(59.0 M)	\$(59.0 M)		
25-26			\$(59.5 M)	\$(59.5 M)		
26-27			\$(59.9 M)	\$(59.9 M)		

## REVENUE ESTIMATING CONFERENCE

**Tax:** Corporate Income Tax

**Issue:** Business Interest Expense, Bonus Depreciation, Research & Experimentation

**Bill Number(s):** SB1090

**Entire Bill**

**Partial Bill:**

**Sponsor(s):** Senator Gruters

**Month/Year Impact Begins:** January 1, 2023

**Date of Analysis:** 1/28/2022

### Section 1: Narrative

#### a. Current Law:

Section 220.03(1)(n) defines “Internal Revenue Code” to mean the United States Internal Revenue Code of 1986, as amended and in effect on January 1, 2021, except as provided in subsection (3).

Section 220.03((2)(c) provides: Any term used in this code has the same meaning as when used in a comparable context in the Internal Revenue Code and other statutes of the United States relating to federal income taxes, as such code and statutes are in effect on January 1, 2021. However, if subsection (3) is implemented, the meaning of a term shall be taken at the time the term is applied under this code.

Section 220.13(1)(b)3. provides: In computing “adjusted federal income” for taxable years beginning after December 31, 1976, there shall be allowed as a deduction the amount of wages and salaries paid or incurred within this state for the taxable year for which no deduction is allowed pursuant to s. 280C(a) of the Internal Revenue Code (relating to credit for employment of certain new employees).

Section 220.13(1)(e)1c provides: The provisions of Sub-subparagraph b. do not apply to amounts by which taxable income was increased pursuant to this subparagraph for amounts deducted for federal income tax purposes as bonus depreciation for qualified improvement property as defined in s. 168(e)(6) of the Internal Revenue Code of 1986, as amended by s. 13204 of Pub. L. No. 115-97.

Section 220.13(1)(e)4 reads: For taxable years beginning after December 31, 2018, and before January 1, 2021, there shall be added to such taxable income an amount equal to the excess, if any, of:

a. One hundred percent of any amount deducted for federal income tax purposes as business interest expense for the taxable year pursuant to s. 163(j) of the Internal Revenue Code of 1986, as amended by s. 2306 of Pub. L. No. 116-136; over

b. One hundred percent of the amount that would be deductible for federal income tax purposes as business interest expense for the taxable year if calculated pursuant to s. 163(j) of the Internal Revenue Code of 1986, as amended by s. 13301 of Pub. L. No. 115-97.

Any expense added back pursuant to this subparagraph shall be treated as a disallowed business expense carryforward from prior years for the year or years following the addition, until such time as the expense has been used.

Section 220.1105 (4) reads: (4) For fiscal years 2018-2019 through 2020-2021, any amount by which net collections for a fiscal year exceed adjusted forecasted collections for that fiscal year shall only be used to provide refunds to corporate income taxpayers as follows:

...

c. For fiscal year 2020-2021, a taxpayer whose taxable year begins between April 1, 2019, and March 31, 2020, and whose final tax liability for such taxable year is greater than zero.

#### b. Proposed Change:

Section 220.03(1)(n) defines “Internal Revenue Code” to mean the United States Internal Revenue Code of 1986, as amended and in effect on January 1, 2022 ~~2021~~, except as provided in subsection (3).

Section 220.03((2)(c) provides: Any term used in this code has the same meaning as when used in a comparable context in the Internal Revenue Code and other statutes of the United States relating to federal income taxes, as such code and statutes are in effect on January 1, 2022 ~~2021~~. However, if subsection (3) is implemented, the meaning of a term shall be taken at the time the term is applied under this code.

## REVENUE ESTIMATING CONFERENCE

**Tax:** Corporate Income Tax

**Issue:** Business Interest Expense, Bonus Depreciation, Research & Experimentation

**Bill Number(s):** SB1090

Section 220.1105 (4) reads: (4) For fiscal years 2018-2019 and 2019-2020 ~~through 2020-2021~~, any amount by which net collections for a fiscal year exceed adjusted forecasted collections for that fiscal year shall only be used to provide refunds to corporate income taxpayers as follows:

...

~~c. For fiscal year 2020-2021, a taxpayer whose taxable year begins between April 1, 2019, and March 31, 2020, and whose final tax liability for such taxable year is greater than zero.~~

Section 220.13(1)(e)1c provides: ~~The provisions of Sub-subparagraph b. does de~~ not apply to amounts by which taxable income was increased pursuant to this subparagraph for amounts deducted for federal income tax purposes as bonus depreciation for qualified improvement property as defined in s. 168(e)(6) of the Internal Revenue Code of 1986, as amended by s. 13204 of Pub. L. No. 115-97.

This subparagraph does not apply to property placed in service in taxable years beginning on or after January 1, 2020.

Section 4. The amendment made to s. 220.13(1)(e), Florida Statutes, in section 3 of this act applies to taxable years beginning on or after January 1, 2020.

Section 220.13(1)(e)4 reads: For taxable years beginning on or after January 1, 2023, there shall be added to such taxable income an amount equal to the amount of business interest taken as a deduction for federal tax purposes subject to the limitation provided in s. 163(j) of the Internal Revenue Code. There shall be subtracted from such taxable income the amount of business interest paid or accrued within the taxable year which would have been deductible at the federal level consistent with s. 163 of the Internal Revenue Code as it existed and applied immediately before the enactment of the Tax Cuts and Jobs Act of 2017, Pub. L. No. 115-97 For taxable years beginning after December 31, 2018, and before January 1, 2021, there shall be added to such taxable income an amount equal to the excess, if any, of:

~~a. One hundred percent of any amount deducted for federal income tax purposes as business interest expense for the taxable year pursuant to s. 163(j) of the Internal Revenue Code of 1986, as amended by s. 2306 of Pub. L. No. 116-136; over~~

~~b. One hundred percent of the amount that would be deductible for federal income tax purposes as business interest expense for the taxable year if calculated pursuant to s. 163(j) of the Internal Revenue Code of 1986, as amended by s. 13301 of Pub. L. No. 115-97.~~

~~Any expense added back pursuant to this subparagraph shall be treated as a disallowed business expense carryforward from prior years for the year or years following the addition, until such time as the expense has been used.~~

Section 6. of SB 1090 enacts the bill upon becoming law except as otherwise expressly provided in the act.

### Section 2: Description of Data and Sources

Corporate Income Tax Returns – 2019

National Economic Estimate Conference – Dec 2021 – US Before Tax Corporate Economic Profits

CIT Filer - Additional Information - 2019

IRS SOI Corporation Returns - Selected Depreciation Data (form 4562) - 2018

Mandatory Electronic Filing (MEF) Corporate Tax rolls – 2018, 2019, & 2020

IRS pub 946 - MACRS depreciation schedule 9-years

JCT Revenue Estimates – JCX-67-17 (“TCJA” Act) & JCX-11R-20 (“CARES” act)

JCT Apportionment of Corporate Income Tax vs Personal Income Tax percentages – Based on prior interviews

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

#### Florida BIE & Research and Experimental Expenditures Impact

Utilizing the prior Piggyback analysis approach, the Joint Committee for Taxation (JCT) numbers for the research and experimental expenditures & business interest deductions were found from the JCX-67-17 Tax Cut and Jobs Act (TCJA) and the JCX-11R-20 estimates of the JCX-11R-20 CARES act. The JCT analysis provides an apportionment of how certain business tax changes would impact corporate income tax (CIT) versus personal income tax (PIT). The splits were obtained and then converted for Florida to reflect various reduction rates. Previously, the conference has used 95.5% for the business interest expense reduction factor and 76.8% for Research and Experimental Expenditures.

**REVENUE ESTIMATING CONFERENCE**

**Tax:** Corporate Income Tax

**Issue:** Business Interest Expense, Bonus Depreciation, Research & Experimentation

**Bill Number(s):** SB1090

The Business Interest Expense totals from the JCT Revenue Estimates are reduced by 95.5% to account for the JCT CIT vs. PIT share. The values are then backed out to their base values using the Federal Tax rate of 21% for 2020 and forward. The calculated Federal Base is then apportioned to Florida at 4.4% based on prior research on what percentage of Federal Returns are tied to Florida.

The Research and Experimental Expenditures totals from the JCT Revenue Estimates are reduced by 76.8% to account for the JCT CIT vs. PIT share. The values are then backed out to their base values using the Federal Tax rate of 21% for 2020 and forward. The calculated Federal Base is then apportioned to Florida at 4.4% based on prior research on what percentage of Federal Returns are tied to Florida.

The tax rate is then applied to the Florida share of the national estimated base. The recurring in the first year is 85% of the 2023 Calendar year total. Each year thereafter, the recurring is 15% of the current year and 85% of the prior calendar year totals. The cash is 15% of the first year recurring and set to the recurring each year thereafter.

**Bonus Depreciation**

To formulate an impact, the Mandatory Electronic Filing (MEF) Corporate Tax rolls were used to get Florida taxpayer Bonus depreciation. Each taxpayer’s current year depreciation was apportioned by their individual apportionment factor and then summed to a total. The total was then grossed up using the ratio of the MEF tax due to the CIT tax rolls tax due values.

The NEEC Corporate Before-Tax Economic profits variable growth rates were obtained from the NEEC conference and the calculated FL Bonus Depreciation was grown. This was further used to schedule the bonus depreciation in a 7-year & 9-year depreciation schedules to get a taxable difference shifting from the 7 year to the 9-year method. The weighted average of all depreciable assets of 20-years or less was used to determine the effective depreciable life for all assets averaging out to 9.25-years. All assets were depreciated the percentage remaining to be depreciated at 100% each year in the first year. The tax rates were then applied to the taxable difference to get the tax due difference of the impact.

The first-year cash of the impact is 0 and starting FY 2023-24 is the sum of 2020 through 2022’s taxable difference plus 15% of 2023’s taxable difference impact. Every fiscal year thereafter the cash is a ratio of 15% of the current year and 85% of the prior year. The recurring is the total taxable difference of 2027-28 and held constant thereafter.

**Refunds**

Due to the cancelation of the refunds provided under current law, there will be a positive impact of refunds in April 2022 totaling \$623.8m. This would mean there is a current year impact for FY2021-22. The conference does not normally display current year impacts and this amount has not been netted out against the FY2022-23 values.

**Section 4: Proposed Fiscal Impact**

**BIE & R&E Impacts –**

**Research & Experimentation Amortization**

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2022-23			\$43.7 M	\$225.7 M		
2023-24			\$282.0 M	\$282.0 M		
2024-25			\$220.7 M	\$220.7 M		
2025-26			\$157.3 M	\$157.3 M		
2026-27			\$94.1 M	\$94.1 M		

**Business Interest Expense**

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2022-23			\$(49.9 M)	\$(282.6 M)		
2023-24			\$(331.4 M)	\$(331.4 M)		
2024-25			\$(329.4 M)	\$(329.4 M)		
2025-26			\$(354.8 M)	\$(354.8 M)		
2026-27			\$(385.5 M)	\$(385.5 M)		



**REVENUE ESTIMATING CONFERENCE**

**Tax:** Corporate Income Tax

**Issue:** Business Interest Expense, Bonus Depreciation, Research & Experimentation

**Bill Number(s):** SB1090

**Bonus Depreciation**

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2022-23			\$-	\$1,225.4 M		
2023-24			\$(3,624.7 M)	\$1,225.4 M		
2024-25			\$(559.5 M)	\$1,225.4 M		
2025-26			\$18.5 M	\$1,225.4 M		
2026-27			\$568.4 M	\$1,225.4 M		

**List of affected Trust Funds:**

General Revenue Trust Fund

**Section 5: Consensus Estimate (Adopted: 01/28/2022):** The Conference adopted the proposed estimate for Research & Experimentation Amortization and Business Interest Expense.

**Research & Experimentation Amortization**

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2022-23	43.7	225.7	0.0	0.0	0.0	0.0	43.7	225.7
2023-24	282.0	282.0	0.0	0.0	0.0	0.0	282.0	282.0
2024-25	220.7	220.7	0.0	0.0	0.0	0.0	220.7	220.7
2025-26	157.3	157.3	0.0	0.0	0.0	0.0	157.3	157.3
2026-27	94.1	94.1	0.0	0.0	0.0	0.0	94.1	94.1

**Business Interest Expense**

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2022-23	(50.1)	(284.3)	0.0	0.0	0.0	0.0	(50.1)	(284.3)
2023-24	(333.1)	(333.1)	0.0	0.0	0.0	0.0	(333.1)	(333.1)
2024-25	(331.1)	(331.1)	0.0	0.0	0.0	0.0	(331.1)	(331.1)
2025-26	(356.6)	(356.6)	0.0	0.0	0.0	0.0	(356.6)	(356.6)
2026-27	(387.5)	(387.5)	0.0	0.0	0.0	0.0	(387.5)	(387.5)

	A	B	C	D	E	F	G	H
1	<b>Piggyback Summary Page</b>							
2								
3	<b>Florida BIE &amp; R&amp;E Impact:</b>							
4								
5	<b>Research &amp; Experimentation Amortization Impact</b>							
6			<b>High</b>		<b>Middle</b>		<b>Low</b>	
7			<b>Cash</b>	<b>Recurring</b>	<b>Cash</b>	<b>Recurring</b>	<b>Cash</b>	<b>Recurring</b>
8		2022-2023			\$ 43.7 M	\$ 225.7 M		
9		2023-2024			\$ 282.0 M	\$ 282.0 M		
10		2024-2025			\$ 220.7 M	\$ 220.7 M		
11		2025-2026			\$ 157.3 M	\$ 157.3 M		
12		2026-2027			\$ 94.1 M	\$ 94.1 M		
13								
14								
15	<b>Business Interest Expense Impact</b>							
16			<b>High</b>		<b>Middle</b>		<b>Low</b>	
17			<b>Cash</b>	<b>Recurring</b>	<b>Cash</b>	<b>Recurring</b>	<b>Cash</b>	<b>Recurring</b>
18		2022-2023			\$ (50.1 M)	\$ (284.3 M)		
19		2023-2024			\$ (333.1 M)	\$ (333.1 M)		
20		2024-2025			\$ (331.1 M)	\$ (331.1 M)		
21		2025-2026			\$ (356.6 M)	\$ (356.6 M)		
22		2026-2027			\$ (387.5 M)	\$ (387.5 M)		
23								
24								
25	<b>Bonus Depreciation:</b>							
26								
27			<b>High</b>		<b>Middle</b>		<b>Low</b>	
28			<b>Cash</b>	<b>Recurring</b>	<b>Cash</b>	<b>Recurring</b>	<b>Cash</b>	<b>Recurring</b>
29		2022-2023			\$ -	\$ 1,225.4 M		
30		2023-2024			\$ (3,624.7 M)	\$ 1,225.4 M		
31		2024-2025			\$ (559.5 M)	\$ 1,225.4 M		
32		2025-2026			\$ 18.5 M	\$ 1,225.4 M		
33		2026-2027			\$ 568.4 M	\$ 1,225.4 M		

	A	B	C	D	E	F	G	H	I	J	K
1	<b>JCT Impacts - Federal Level (\$ Millions)</b>	<b>Adjustment Factor</b>	2020	2021	2022	2023	2024	2025	2026	2027	2028
2	<b>JCT Revenue Estimates - December 18, 2018 - JCX-67-17 ("TCJA") [In M\$]</b>										
3	D. Cost Recovery, etc.										
4	9. Amortization of research and experimental expenditures.....		-	-	24,200	32,900	26,000	18,900	11,400	6,300	\$ -
5	(76.8% Adjustment)	76.8%	-	-	18,586	25,267	19,968	14,515	8,755	4,838	-
6	2. Limit net interest deductions to 30 percent of adjusted										
7	taxable income, carryforward of denied deduction.....		(19,700)	(19,600)	(24,900)	(30,200)	(29,600)	(31,800)	(34,700)	(36,900)	
8	(96% adjustment)	96.0%	(18,912)	(18,816)	(23,904)	(28,992)	(28,416)	(30,528)	(33,312)	(35,424)	\$ -
9	<b>JCT Revenue Estimates - April 23, 2020 - JCX-11R-20 ("CARES") [In M\$]</b>										
10	6. Modification of limitation on business interest - increase adjusted taxable income limitation under section 163(j) from 30 percent to 50 percent (sunset tyba 12/31/20)		(67.0)	(45.9)	(5.3)	(5.1)	(3.4)	(0.9)	(0.2)	(0.1)	
11	(96% adjustment)	96.0%	(64)	(44)	(5)	(5)	(3)	(1)	(0)	(0)	\$ -
12											
13											
14	<b>Federal Base Impacts (\$ Millions)</b>		2020	2021	2022	2023	2024	2025	2026	2027	2028
15	<b>Federal Tax Rate</b>		21%	21%	21%	21%	21%	21%	21%	21%	21%
16											
17	<b>JCT Revenue Estimates - December 18, 2018 - JCX-67-17 ("TCJA")</b>										
18	D. Cost Recovery, etc.										
19	9. Amortization of research and experimental expenditures.....		-	-	88,502.9	120,320.0	95,085.7	69,120.0	41,691.4	23,040.0	-
20	2. Limit net interest deductions to 30 percent of adjusted										
21	taxable income, carryforward of denied deduction.....		(90,057.1)	(89,600.0)	(113,828.6)	(138,057.1)	(135,314.3)	(145,371.4)	(158,628.6)	(168,685.7)	-
22											
23											
24											
25	<b>Florida Base Impacts (\$ Millions)</b>		2020	2021	2022	2023	2024	2025	2026	2027	2028
26	<b>Assumed Florida Share of Federal Base</b>		4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%
27											
28	<b>JCT Revenue Estimates - December 18, 2018 - JCX-67-17 ("TCJA")</b>										
29	D. Cost Recovery, etc.										
30	9. Amortization of research and experimental expenditures.....		-	-	3,894.1	5,294.1	4,183.8	3,041.3	1,834.4	1,013.8	-
31	2. Limit net interest deductions to 30 percent of adjusted										
32	taxable income, carryforward of denied deduction.....		(3,962.5)	(3,942.4)	(5,008.5)	(6,074.5)	(5,953.8)	(6,396.3)	(6,979.7)	(7,422.2)	-
33											
34											

	A	B	C	D	E	F	G	H	I	J	K
36	<b>Florida Impacts (\$ Millions)</b>		2020	2021	2022	2023	2024	2025	2026	2027	2028
37	<b>Florida Tax Rate Applied</b>		4.458%	3.535%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%
38											
39	<b>JCT Revenue Estimates - December 18, 2018 - JCX-67-17 ("TCJA")</b>										
40	D. Cost Recovery, etc.										
41	9. Amortization of research and experimental expenditures....		-	-	214.18	291.17	230.11	167.27	100.89	55.76	-
42	2. Limit net interest deductions to 30 percent of adjusted										
43	taxable income, carryforward of denied deduction.....		(176.65)	(139.36)	(275.47)	(334.10)	(327.46)	(351.80)	(383.88)	(408.22)	-
44											
45											
46	<b>Total Florida Impacts -- Research &amp; Experimentation (JCX-67-17)</b>		\$ -	\$ -	\$ 214.2	\$ 291.2	\$ 230.1	\$ 167.3	\$ 100.9	\$ 55.8	\$ -
47	<b>Total Florida Impacts -- Business Interest Expense (JCX-67-17)</b>		\$ (176.6)	\$ (139.4)	\$ (275.5)	\$ (334.1)	\$ (327.5)	\$ (351.8)	\$ (383.9)	\$ (408.2)	\$ -
48											
49	<b>Total</b>										
50	<b>JCT - Research &amp; Experimentation</b>		\$ -	\$ -	\$ 214.2	\$ 291.2	\$ 230.1	\$ 167.3	\$ 100.9	\$ 55.8	\$ -
51	<b>JCT - Business Interest Expense</b>		\$ (176.6)	\$ (139.4)	\$ (275.5)	\$ (334.1)	\$ (327.5)	\$ (351.8)	\$ (383.9)	\$ (408.2)	\$ -
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		Middle	
		Cash	Recurring
	2022-2023	\$ 43.7 M	\$ 225.7 M
	2023-2024	\$ 282.0 M	\$ 282.0 M
	2024-2025	\$ 220.7 M	\$ 220.7 M
	2025-2026	\$ 157.3 M	\$ 157.3 M
	2026-2027	\$ 94.1 M	\$ 94.1 M

  

		Middle	
		Cash	Recurring
	2022-2023	\$ (50.1 M)	\$ (284.3 M)
	2023-2024	\$ (333.1 M)	\$ (333.1 M)
	2024-2025	\$ (331.1 M)	\$ (331.1 M)
	2025-2026	\$ (356.6 M)	\$ (356.6 M)
	2026-2027	\$ (387.5 M)	\$ (387.5 M)

	A	B	C	D	E	F	G
1	DOR Data						
2	MEF Apprt. Bns. Depr.	MEF Taxdue	Tax due	Ratio			
3	\$ 28,622,636,269	\$ 2,547,701,473	\$ 2,879,194,752	88.49%			
4							
5	\$ 28,622,636,269	MEF Apprt Bonus Deprc.					
6	\$ 32,346,860,496	Gross Up					
7							
8							
9	<b>15 Year property share of FL Bonus depreciation grown forward</b>						
10	US Before Tax Corporate profits (NEEC - Dec 2021)	CY Growth Rates	Depreciation Grown (Non-QIP)				
11	2018	8.3%	\$ 32,346,860,496				
12	2019	2.7%	\$ 33,228,791,263				
13	2020	-5.2%	\$ 31,488,169,455				
14	2021	23.2%	\$ 38,786,604,751				
15	2022	1.7%	\$ 39,462,981,122				
16	2023	1.4%	\$ 40,013,223,038				
17	2024	4.1%	\$ 41,658,935,264				
18	2025	4.5%	\$ 43,531,936,502				
19	2026	4.7%	\$ 45,578,807,661				
20	2027	4.4%	\$ 47,576,739,969				
21							
22							
23		<b>High</b>		<b>Middle</b>		<b>Low</b>	
24		<b>Cash</b>	<b>Recurring</b>	<b>Cash</b>	<b>Recurring</b>	<b>Cash</b>	<b>Recurring</b>
25	2022-2023			\$ -	\$ 1,225.4 M		
26	2023-2024			\$ (3,624.7 M)	\$ 1,225.4 M		
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29	2026-2027			\$ 568.4 M	\$ 1,225.4 M		

## REVENUE ESTIMATING CONFERENCE

**Tax:** Corporate Income Tax

**Issue:** Business Interest Expense, Bonus Depreciation, Research & Experimentation

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

**Entire Bill**

**Partial Bill:**

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

**Month/Year Impact Begins:** January 1, 2023

**Date of Analysis:** 1/28/2022

### Section 1: Narrative

#### a. Current Law:

Section 220.03(1)(n) defines “Internal Revenue Code” to mean the United States Internal Revenue Code of 1986, as amended and in effect on January 1, 2021, except as provided in subsection (3).

Section 220.03((2)(c) provides: Any term used in this code has the same meaning as when used in a comparable context in the Internal Revenue Code and other statutes of the United States relating to federal income taxes, as such code and statutes are in effect on January 1, 2021. However, if subsection (3) is implemented, the meaning of a term shall be taken at the time the term is applied under this code.

Section 220.13(1)(b)3. provides: In computing “adjusted federal income” for taxable years beginning after December 31, 1976, there shall be allowed as a deduction the amount of wages and salaries paid or incurred within this state for the taxable year for which no deduction is allowed pursuant to s. 280C(a) of the Internal Revenue Code (relating to credit for employment of certain new employees).

Section 220.13(1)(e)1c provides: The provisions of Sub-subparagraph b. do not apply to amounts by which taxable income was increased pursuant to this subparagraph for amounts deducted for federal income tax purposes as bonus depreciation for qualified improvement property as defined in s. 168(e)(6) of the Internal Revenue Code of 1986, as amended by s. 13204 of Pub. L. No. 115-97.

Section 220.13(1)(e)4 reads: For taxable years beginning after December 31, 2018, and before January 1, 2021, there shall be added to such taxable income an amount equal to the excess, if any, of:

a. One hundred percent of any amount deducted for federal income tax purposes as business interest expense for the taxable year pursuant to s. 163(j) of the Internal Revenue Code of 1986, as amended by s. 2306 of Pub. L. No. 116-136; over

b. One hundred percent of the amount that would be deductible for federal income tax purposes as business interest expense for the taxable year if calculated pursuant to s. 163(j) of the Internal Revenue Code of 1986, as amended by s. 13301 of Pub. L. No. 115-97.

Any expense added back pursuant to this subparagraph shall be treated as a disallowed business expense carryforward from prior years for the year or years following the addition, until such time as the expense has been used.

Section 220.1105 (4) reads: (4) For fiscal years 2018-2019 through 2020-2021, any amount by which net collections for a fiscal year exceed adjusted forecasted collections for that fiscal year shall only be used to provide refunds to corporate income taxpayers as follows:

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c. For fiscal year 2020-2021, a taxpayer whose taxable year begins between April 1, 2019, and March 31, 2020, and whose final tax liability for such taxable year is greater than zero.

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Section 220.03(1)(n) defines “Internal Revenue Code” to mean the United States Internal Revenue Code of 1986, as amended and in effect on January 1, 2022 ~~2021~~, except as provided in subsection (3).

Section 220.03((2)(c) provides: Any term used in this code has the same meaning as when used in a comparable context in the Internal Revenue Code and other statutes of the United States relating to federal income taxes, as such code and statutes are in effect on January 1, 2022 ~~2021~~. However, if subsection (3) is implemented, the meaning of a term shall be taken at the time the term is applied under this code.

## REVENUE ESTIMATING CONFERENCE

**Tax:** Corporate Income Tax

**Issue:** Business Interest Expense, Bonus Depreciation, Research & Experimentation

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

Section 220.1105 (4) reads: (4) For fiscal years 2018-2019 and 2019-2020 ~~through 2020-2021~~, any amount by which net collections for a fiscal year exceed adjusted forecasted collections for that fiscal year shall only be used to provide refunds to corporate income taxpayers as follows:

...

~~c. For fiscal year 2020-2021, a taxpayer whose taxable year begins between April 1, 2019, and March 31, 2020, and whose final tax liability for such taxable year is greater than zero.~~

Section 220.13(1)(e)1c provides: ~~The provisions of Sub-subparagraph b. does de~~ not apply to amounts by which taxable income was increased pursuant to this subparagraph for amounts deducted for federal income tax purposes as bonus depreciation for qualified improvement property as defined in s. 168(e)(6) of the Internal Revenue Code of 1986, as amended by s. 13204 of Pub. L. No. 115-97.

This subparagraph does not apply to property placed in service in taxable years beginning on or after January 1, 2023.

Section 4. The amendment made to s. 220.13(1)(e), Florida Statutes, in section 3 of this act applies to taxable years beginning on or after January 1, 2020.

Section 220.13(1)(e)4 reads: For taxable years beginning on or after January 1, 2023, there shall be added to such taxable income an amount equal to the amount of business interest taken as a deduction for federal tax purposes subject to the limitation provided in s. 163(j) of the Internal Revenue Code. There shall be subtracted from such taxable income the amount of business interest paid or accrued within the taxable year which would have been deductible at the federal level consistent with s. 163 of the Internal Revenue Code as it existed and applied immediately before the enactment of the Tax Cuts and Jobs Act of 2017, Pub. L. No. 115-97 For taxable years beginning after December 31, 2018, and before January 1, 2021, there shall be added to such taxable income an amount equal to the excess, if any, of:

~~a. One hundred percent of any amount deducted for federal income tax purposes as business interest expense for the taxable year pursuant to s. 163(j) of the Internal Revenue Code of 1986, as amended by s. 2306 of Pub. L. No. 116-136; over~~

~~b. One hundred percent of the amount that would be deductible for federal income tax purposes as business interest expense for the taxable year if calculated pursuant to s. 163(j) of the Internal Revenue Code of 1986, as amended by s. 13301 of Pub. L. No. 115-97.~~

~~Any expense added back pursuant to this subparagraph shall be treated as a disallowed business expense carryforward from prior years for the year or years following the addition, until such time as the expense has been used.~~

Section 6. of SB 1090 enacts the bill upon becoming law except as otherwise expressly provided in the act.

### Section 2: Description of Data and Sources

Corporate Income Tax Returns – 2019

National Economic Estimate Conference – Dec 2021 – US Before Tax Corporate Economic Profits

CIT Filer - Additional Information - 2019

IRS SOI Corporation Returns - Selected Depreciation Data (form 4562) - 2018

Mandatory Electronic Filing (MEF) Corporate Tax rolls – 2018, 2019, & 2020

IRS pub 946 - MACRS depreciation schedule 9-years

JCT Revenue Estimates – JCX-67-17 (“TCJA” Act) & JCX-11R-20 (“CARES” act)

JCT Apportionment of Corporate Income Tax vs Personal Income Tax percentages – Based on prior interviews

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

#### Florida BIE and Research and Experimental Expenditures Impact

Utilizing the prior Piggyback analysis approach, the Joint Committee for Taxation (JCT) numbers for the Research and Experimental Expenditures & business interest deductions were found from the JCX-67-17 Tax Cut and Jobs Act (TCJA) and the JCX-11R-20 estimates of the JCX-11R-20 CARES act. The JCT analysis provides an apportionment of how certain business tax changes would impact corporate income tax (CIT) versus personal income tax (PIT). The splits were obtained and then converted for Florida to reflect various reduction rates. Previously, the conference has used 95.5% for the business interest expense reduction factor.

**REVENUE ESTIMATING CONFERENCE**

**Tax:** Corporate Income Tax

**Issue:** Business Interest Expense, Bonus Depreciation, Research & Experimentation

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

The Business Interest Expense totals from the JCT Revenue Estimates are reduced by 95.5% to account for the JCT CIT vs. PIT share. The values are then backed out to their base values using the Federal Tax rate of 21% for 2020 and forward. The calculated Federal Base is then apportioned to Florida at 4.4% based on prior research on what percentage of Federal Returns are tied to Florida.

The Research and Experimental Expenditures totals from the JCT Revenue Estimates are reduced by 76.8% to account for the JCT CIT vs. PIT share. The values are then backed out to their base values using the Federal Tax rate of 21% for 2020 and forward. The calculated Federal Base is then apportioned to Florida at 4.4% based on prior research on what percentage of Federal Returns are tied to Florida.

The tax rate is then applied to the Florida share of the national estimated base. The recurring in the first year is 85% of the 2023 Calendar year total. Each year thereafter, the recurring is 15% of the current year and 85% of the prior calendar year totals. The cash is 15% of the first year recurring and set to the recurring each year thereafter.

**Bonus Depreciation**

To formulate an impact, the Mandatory Electronic Filing (MEF) Corporate Tax rolls were used to get Florida taxpayer Bonus depreciation. Each taxpayer’s current year depreciation was apportioned by their individual apportionment factor and then summed to a total. The total was then grossed up using the ratio of the MEF tax due to the CIT tax rolls tax due values.

The NEEC Corporate Before-Tax Economic profits variable growth rates were obtained from the NEEC conference and the calculated FL Bonus Depreciation was grown. This was further used to schedule the bonus depreciation in a 7-year & 9-year depreciation schedules to get a taxable difference shifting from the 7 year to the 9-year method. The weighted average of all depreciable assets of 20-years or less was used to determine the effective depreciable life for all assets averaging out to 9.25-years. All assets were depreciated the percentage remaining to be depreciated at 100% each year in the first year. The tax rates were then applied to the taxable difference to get the tax due difference of the impact.

The first-year cash of the impact is 0 and starting FY 2023-24 is the sum of 2020 through 2022’s taxable difference plus 15% of 2023’s taxable difference impact. Every fiscal year thereafter the cash is a ratio of 15% of the current year and 85% of the prior year. The recurring is the total taxable difference of 2027-28 and held constant thereafter.

**Refunds**

Due to the cancelation of the refunds provided under current law, there will be a positive impact of refunds in April 2022 totaling \$623.8m. This would mean there is a current year impact for FY2021-22. The conference does not normally display current year impacts and this amount has not been netted out against the FY2022-23 values.

**Section 4: Proposed Fiscal Impact**

**BIE & R&E Impacts –**

**Research & Experimentation Amortization**

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2022-23			\$43.7 M	\$225.7 M		
2023-24			\$282.0 M	\$282.0 M		
2024-25			\$220.7 M	\$220.7 M		
2025-26			\$157.3 M	\$157.3 M		
2026-27			\$94.1 M	\$94.1 M		

**Business Interest Expense**

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2022-23			\$(49.9 M)	\$(282.6 M)		
2023-24			\$(331.4 M)	\$(331.4 M)		
2024-25			\$(329.4 M)	\$(329.4 M)		
2025-26			\$(354.8 M)	\$(354.8 M)		
2026-27			\$(385.5 M)	\$(385.5 M)		



**REVENUE ESTIMATING CONFERENCE**

**Tax:** Corporate Income Tax

**Issue:** Business Interest Expense, Bonus Depreciation, Research & Experimentation

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

**Bonus Depreciation**

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2022-23			\$-	\$656.3 M		
2023-24			\$(226.4 M)	\$656.3 M		
2024-25			\$(1,421.7 M)	\$656.3 M		
2025-26			\$(843.8 M)	\$656.3 M		
2026-27			\$(293.8 M)	\$656.3 M		

**List of affected Trust Funds:**

General Revenue Trust Fund

**Section 5: Consensus Estimate (Adopted: 01/28/2022):** The Conference adopted the proposed estimates for each category except for Bonus Depreciation. They adopted a zero recurring impact for Bonus Depreciation.

**Research & Experimentation Amortization**

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2022-23	43.7	225.7	0.0	0.0	0.0	0.0	43.7	225.7
2023-24	282.0	282.0	0.0	0.0	0.0	0.0	282.0	282.0
2024-25	220.7	220.7	0.0	0.0	0.0	0.0	220.7	220.7
2025-26	157.3	157.3	0.0	0.0	0.0	0.0	157.3	157.3
2026-27	94.1	94.1	0.0	0.0	0.0	0.0	94.1	94.1

**Business Interest Expense**

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2022-23	(49.9)	(282.8)	0.0	0.0	0.0	0.0	(49.9)	(282.8)
2023-24	(331.4)	(331.4)	0.0	0.0	0.0	0.0	(331.4)	(331.4)
2024-25	(329.4)	(329.4)	0.0	0.0	0.0	0.0	(329.4)	(329.4)
2025-26	(354.8)	(354.8)	0.0	0.0	0.0	0.0	(354.8)	(354.8)
2026-27	(385.5)	(385.5)	0.0	0.0	0.0	0.0	(385.5)	(385.5)

**Bonus Depreciation**

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2022-23	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2023-24	(226.4)	0.0	0.0	0.0	0.0	0.0	(226.4)	0.0
2024-25	(1,421.7)	0.0	0.0	0.0	0.0	0.0	(1,421.7)	0.0
2025-26	(843.8)	0.0	0.0	0.0	0.0	0.0	(843.8)	0.0
2026-27	(293.8)	0.0	0.0	0.0	0.0	0.0	(293.8)	0.0

	A	B	C	D	E	F	G	H
1	<b>Piggyback Summary Page</b>							
2								
3	<b>Florida BIE &amp; R&amp;E Impact:</b>							
4								
5	<b>Research &amp; Experimentation Amortization Impact</b>							
6			<b>High</b>		<b>Middle</b>		<b>Low</b>	
7			<b>Cash</b>	<b>Recurring</b>	<b>Cash</b>	<b>Recurring</b>	<b>Cash</b>	<b>Recurring</b>
8		2022-2023			\$ 43.7 M	\$ 225.7 M		
9		2023-2024			\$ 282.0 M	\$ 282.0 M		
10		2024-2025			\$ 220.7 M	\$ 220.7 M		
11		2025-2026			\$ 157.3 M	\$ 157.3 M		
12		2026-2027			\$ 94.1 M	\$ 94.1 M		
13								
14								
15	<b>Business Interest Expense Impact</b>							
16			<b>High</b>		<b>Middle</b>		<b>Low</b>	
17			<b>Cash</b>	<b>Recurring</b>	<b>Cash</b>	<b>Recurring</b>	<b>Cash</b>	<b>Recurring</b>
18		2022-2023			\$ (49.9 M)	\$ (282.8 M)		
19		2023-2024			\$ (331.4 M)	\$ (331.4 M)		
20		2024-2025			\$ (329.4 M)	\$ (329.4 M)		
21		2025-2026			\$ (354.8 M)	\$ (354.8 M)		
22		2026-2027			\$ (385.5 M)	\$ (385.5 M)		
23								
24								
25	<b>Bonus Depreciation:</b>							
26								
27			<b>High</b>		<b>Middle</b>		<b>Low</b>	
28			<b>Cash</b>	<b>Recurring</b>	<b>Cash</b>	<b>Recurring</b>	<b>Cash</b>	<b>Recurring</b>
29		2022-2023			\$ -	\$ 656.3 M		
30		2023-2024			\$ (226.4 M)	\$ 656.3 M		
31		2024-2025			\$ (1,421.7 M)	\$ 656.3 M		
32		2025-2026			\$ (843.8 M)	\$ 656.3 M		
33		2026-2027			\$ (293.8 M)	\$ 656.3 M		

	A	B	C	D	E	F	G	H	I	J	K
1	<b>JCT Impacts - Federal Level (\$ Millions)</b>	<b>Adjustment Factor</b>	2020	2021	2022	2023	2024	2025	2026	2027	2028
2	<b>JCT Revenue Estimates - December 18, 2018 - JCX-67-17 ("TCJA") [In M\$]</b>										
3	D. Cost Recovery, etc.										
4	9. Amortization of research and experimental expenditures.....		-	-	24,200	32,900	26,000	18,900	11,400	6,300	\$ -
5	(76.8% Adjustment)	76.8%	-	-	18,586	25,267	19,968	14,515	8,755	4,838	-
6	2. Limit net interest deductions to 30 percent of adjusted										
7	taxable income, carryforward of denied deduction.....		(19,700)	(19,600)	(24,900)	(30,200)	(29,600)	(31,800)	(34,700)	(36,900)	
8	(95.5% adjustment)	95.5%	(18,814)	(18,718)	(23,780)	(28,841)	(28,268)	(30,369)	(33,139)	(35,240)	\$ -
9											
10											
11	<b>Federal Base Impacts (\$ Millions)</b>		2020	2021	2022	2023	2024	2025	2026	2027	2028
12	<b>Federal Tax Rate</b>		21%	21%	21%	21%	21%	21%	21%	21%	21%
13											
14	<b>JCT Revenue Estimates - December 18, 2018 - JCX-67-17 ("TCJA")</b>										
15	D. Cost Recovery, etc.										
16	9. Amortization of research and experimental expenditures.....		-	-	88,502.9	120,320.0	95,085.7	69,120.0	41,691.4	23,040.0	-
17	2. Limit net interest deductions to 30 percent of adjusted										
18	taxable income, carryforward of denied deduction.....		(89,588.1)	(89,133.3)	(113,235.7)	(137,338.1)	(134,609.5)	(144,614.3)	(157,802.4)	(167,807.1)	-
19											
20											
21											
22	<b>Florida Base Impacts (\$ Millions)</b>		2020	2021	2022	2023	2024	2025	2026	2027	2028
23	<b>Assumed Florida Share of Federal Base</b>		4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%
24											
25	<b>JCT Revenue Estimates - December 18, 2018 - JCX-67-17 ("TCJA")</b>										
26	D. Cost Recovery, etc.										
27	9. Amortization of research and experimental expenditures.....		-	-	3,894.1	5,294.1	4,183.8	3,041.3	1,834.4	1,013.8	-
28	2. Limit net interest deductions to 30 percent of adjusted										
29	taxable income, carryforward of denied deduction.....		(3,941.9)	(3,921.9)	(4,982.4)	(6,042.9)	(5,922.8)	(6,363.0)	(6,943.3)	(7,383.5)	-
30											
31											

	A	B	C	D	E	F	G	H	I	J	K
33	<b>Florida Impacts (\$ Millions)</b>		2020	2021	2022	2023	2024	2025	2026	2027	2028
34	<b>Florida Tax Rate Applied</b>		4.458%	3.535%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%
35											
36	<b>JCT Revenue Estimates - December 18, 2018 - JCX-67-17 ("TCJA")</b>										
37	D. Cost Recovery, etc.										
38	9. Amortization of research and experimental expenditures....		-	-	214.18	291.17	230.11	167.27	100.89	55.76	-
39	2. Limit net interest deductions to 30 percent of adjusted										
40	taxable income, carryforward of denied deduction.....		(175.73)	(138.64)	(274.03)	(332.36)	(325.76)	(349.97)	(381.88)	(406.09)	-
41											
42											
43	<b>Total Florida Impacts -- Research &amp; Experimentation (JCX-67-17)</b>		\$ -	\$ -	\$ 214.2	\$ 291.2	\$ 230.1	\$ 167.3	\$ 100.9	\$ 55.8	\$ -
44	<b>Total Florida Impacts -- Business Interest Expense (JCX-67-17)</b>		\$ (175.7)	\$ (138.6)	\$ (274.0)	\$ (332.4)	\$ (325.8)	\$ (350.0)	\$ (381.9)	\$ (406.1)	\$ -
45											
46	<b>Total</b>										
47	<b>JCT - Research &amp; Experimentation</b>		\$ -	\$ -	\$ 214.2	\$ 291.2	\$ 230.1	\$ 167.3	\$ 100.9	\$ 55.8	\$ -
48	<b>JCT - Business Interest Expense</b>		\$ (175.7)	\$ (138.6)	\$ (274.0)	\$ (332.4)	\$ (325.8)	\$ (350.0)	\$ (381.9)	\$ (406.1)	\$ -
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		Middle	
		Cash	Recurring
	2022-2023	\$ 43.7 M	\$ 225.7 M
	2023-2024	\$ 282.0 M	\$ 282.0 M
	2024-2025	\$ 220.7 M	\$ 220.7 M
	2025-2026	\$ 157.3 M	\$ 157.3 M
	2026-2027	\$ 94.1 M	\$ 94.1 M

  

		Middle	
		Cash	Recurring
	2022-2023	\$ (49.9 M)	\$ (282.8 M)
	2023-2024	\$ (331.4 M)	\$ (331.4 M)
	2024-2025	\$ (329.4 M)	\$ (329.4 M)
	2025-2026	\$ (354.8 M)	\$ (354.8 M)
	2026-2027	\$ (385.5 M)	\$ (385.5 M)

	A	B	C	D	E	F	G
1	DOR Data						
2	MEF Apprt. Bns. Depr.	MEF Taxdue	Tax due	Ratio			
3	\$ 28,622,636,269	\$ 2,547,701,473	\$ 2,879,194,752	88.49%			
4							
5	\$ 28,622,636,269	MEF Apprt Bonus Deprc.					
6	\$ 32,346,860,496	Gross Up					
7							
8							
9	<b>15 Year property share of FL Bonus depreciation grown forward</b>						
10	US Before Tax Corporate profits (NEEC - Dec 2021)	CY Growth Rates	Depreciation Grown (Non-QIP)				
11	2018	8.3%	\$ 32,346,860,496				
12	2019	2.7%	\$ 33,228,791,263				
13	2020	-5.2%	\$ 31,488,169,455				
14	2021	23.2%	\$ 38,786,604,751				
15	2022	1.7%	\$ 39,462,981,122				
16	2023	1.4%	\$ 40,013,223,038				
17	2024	4.1%	\$ 41,658,935,264				
18	2025	4.5%	\$ 43,531,936,502				
19	2026	4.7%	\$ 45,578,807,661				
20	2027	4.4%	\$ 47,576,739,969				
21							
22							
23		<b>High</b>		<b>Middle</b>		<b>Low</b>	
24		<b>Cash</b>	<b>Recurring</b>	<b>Cash</b>	<b>Recurring</b>	<b>Cash</b>	<b>Recurring</b>
25	2022-2023			\$ -	\$ 656.3 M		
26	2023-2024			\$ (226.4 M)	\$ 656.3 M		
27	2024-2025			\$ (1,421.7 M)	\$ 656.3 M		
28	2025-2026			\$ (843.8 M)	\$ 656.3 M		
29	2026-2027			\$ (293.8 M)	\$ 656.3 M		

**REVENUE ESTIMATING CONFERENCE**

**Tax:** Corporate Income Tax

**Issue:** Increase of R&D Tax Credit Cap

**Bill Number(s):** CS/SB 952 – Section 2/HB 1293 – Section 2

**Entire Bill**

**Partial Bill: Section 2**

**Sponsor(s):** Senator Gruters; Representative Gregory

**Month/Year Impact Begins:** July 1<sup>st</sup>, 2022

**Date of Analysis:** January 28<sup>th</sup>, 2022

**Section 1: Narrative**

**a. Current Law:** Current Law caps the combined total amount of tax credits which may be granted to all business enterprises to \$9 million

**b. Proposed Change:** Section 2 of SB 952 raises the cap on the total tax credit to \$50 million.

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

The Research and Development Tax Credit for Florida Corporate Income Tax Allocation Report, available here:

[https://floridarevenue.com/taxes/taxesfees/Pages/corp\\_tax\\_incent.aspx#invest](https://floridarevenue.com/taxes/taxesfees/Pages/corp_tax_incent.aspx#invest)

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

In previous years, the total amount of R&D tax credit requested has always exceeded the cap on credit available. The new proposed cap is still less than every previous years’ total requests. Therefore, the new proposed cap would still function as a limit and the impact is simply the increase in cap, or \$50m minus \$9m, equivalent to \$41m.

**Section 4: Proposed Fiscal Impact**

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2022-23			(\$41 M)	(\$41 M)		
2023-24			(\$41 M)	(\$41 M)		
2024-25			(\$41 M)	(\$41 M)		
2025-26			(\$41 M)	(\$41 M)		
2026-27			(\$41 M)	(\$41 M)		

**List of Affected Trust Funds**

**Section 5: Consensus Estimate (Adopted: 01/28/2022):** The Conference adopted the proposed estimate.

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2022-23	(41.0)	(41.0)	0.0	0.0	0.0	0.0	(41.0)	(41.0)
2023-24	(41.0)	(41.0)	0.0	0.0	0.0	0.0	(41.0)	(41.0)
2024-25	(41.0)	(41.0)	0.0	0.0	0.0	0.0	(41.0)	(41.0)
2025-26	(41.0)	(41.0)	0.0	0.0	0.0	0.0	(41.0)	(41.0)
2026-27	(41.0)	(41.0)	0.0	0.0	0.0	0.0	(41.0)	(41.0)

	A	B	C	D	E	F	G	H	I	J	K	L	M	N
1	Annual Applications for Credit Due in March Based on Previous Calendar Year Activity	Statutorily Mandated Cap on Total Amount of Credit to be Awarded	Number of Applications Received	Total Amount of Credit Requested	Average Credit Request Per Application Received	Number of Applications Approved	Total Amount of Credit Requested by Approved Applications	Approximate Proportion of Each Request that is Awarded	Approximate Amount of Credit that was Awarded	The Remaining Credit After All Awards Made	The Approximate Amount Awarded Per Approved Request		The Number of Applications Rejected	The Rejection Proportion
2	Year	Cap	Applications	Requested	Average Per Request	Approved	Requested	~ Prop Awarded	~ Amt Awarded	Cap Delta	Awarded Per Request		Rejected	
4	2021	\$ 9,000,000	149	\$ 83,799,372	\$ 562,411.89	141	\$ 83,654,266	10.75%	\$ 8,992,834	\$ 7,166	\$ 63,778.96		8	5.4%
5	2020	\$ 9,000,000	133	\$ 101,955,555	\$ 766,583.12	127	\$ 101,741,648	8.80%	\$ 8,953,265	\$ 46,735	\$ 70,498.15		6	4.5%
6	2019	\$ 9,000,000	199	\$ 107,904,637	\$ 542,234.36	188	\$ 107,369,288	8.00%	\$ 8,589,543	\$ 410,457	\$ 45,689.06		11	5.5%
7	2018	\$ 16,500,000	168	\$ 68,067,382	\$ 405,162.99	145	\$ 65,560,879	25.17%	\$ 16,501,673	\$ (1,673)	\$ 113,804.64		23	13.7%
8	2017	\$ 9,000,000	146	\$ 54,915,138	\$ 376,131.08	137	\$ 53,986,728	16.67%	\$ 8,999,588	\$ 412	\$ 65,690.42		9	6.2%
9	2016	\$ 23,000,000	131	\$ 52,481,052	\$ 400,618.72	118	\$ 50,447,562	46.00%	\$ 23,205,879	\$ (205,879)	\$ 196,659.99		13	9.9%

**REVENUE ESTIMATING CONFERENCE**

**Tax:** Documentary Stamp Tax

**Issue:** Federal Loan Exemption – State of Emergency

**Bill Number(s):** CS/SB 952 – Section 1/HB 1293 – Section 1

**Entire Bill**

**Partial Bill: Section 1**

**Sponsor(s):** Senator Gruters

**Month/Year Impact Begins:** July 1<sup>st</sup>, 2022

**Date of Analysis:** January 28<sup>th</sup>, 2022

**Section 1: Narrative**

**a. Current Law:**

Section 201.25, F.S., provides tax exemptions for the following two loans: any loan made by the Florida Small Business Emergency Bridge Loan Program in response to a disaster that results in a state of emergency declared by executive order or proclamation of the Governor pursuant to s. 252.36 (Subsection 201.25(1), F.S.), and any loan made by Agricultural Economic Development Program pursuant to s. 570.82 (Subsection 201.25(2), F.S.).

**b. Proposed Change:**

This bill adds a subsection to s. 201.25, F.S., to read: “Any federal loans that are related to a state of emergency declared by executive order or proclamation of the Governor pursuant to s. 252.36”.

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

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

Disasters and emergencies are unpredictable, both in frequency and duration of occurrence. It follows that predicting how often the governor will declare a state of emergency and how many loans will be issued in relation with these such events is an impossible task. The only certainty is that disasters will continue to occur, therefore, we present a negative indeterminate to show that making loans related to states of emergency docstamp-exempt will cost the state revenues, but the magnitude of the loss is unknown and inestimable.

**Section 4: Proposed Fiscal Impact**

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2022-23			(**)	(**)		
2023-24			(**)	(**)		
2024-25			(**)	(**)		
2025-26			(**)	(**)		
2026-27			(**)	(**)		

**List of Affected Trust Funds**

**Section 5: Consensus Estimate (Adopted: 01/28/2022):** The Conference adopted zero/negative indeterminate cash estimate and a negative indeterminate recurring estimate.

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2022-23	0/(**)	(**)	0/(**)	(**)	0.0	0.0	0/(**)	(**)
2023-24	0/(**)	(**)	0/(**)	(**)	0.0	0.0	0/(**)	(**)
2024-25	0/(**)	(**)	0/(**)	(**)	0.0	0.0	0/(**)	(**)
2025-26	0/(**)	(**)	0/(**)	(**)	0.0	0.0	0/(**)	(**)
2026-27	0/(**)	(**)	0/(**)	(**)	0.0	0.0	0/(**)	(**)



## REVENUE ESTIMATING CONFERENCE

**Tax:** Other Taxes and Fees

**Issue:** Hunting and Fishing License Military Discount

**Bill Number(s):** SB1270/HB683

**Entire Bill**

**Partial Bill:**

**Sponsor(s):** Senator Albritton

**Month/Year Impact Begins:** 07/01/2022

**Date of Analysis:** January 13, 2022

### Section 1: Narrative

- a. Current Law:** The Fish and Wildlife Commission (FWC) offers discounted Military Gold Sportsman license for \$18.50. The price for a Gold Sportsman license for non-military and a Florida resident is \$98.50. The Gold Sportsman License includes Hunting, Saltwater Fishing and Freshwater Fishing licenses. Eligible military members for discount include: 1) All active military members who are stationed in Florida with current military orders; 2) Florida residents who are active military members; and 3) retired military members who are Florida residents.

Florida also offers any Florida resident who is a member of the United States Armed Forces and not stationed in Florida, an exemption from recreational fishing and hunting license and permits when home on leave for 30 days or less. There are no discounts for honorably discharged veterans. There are no discounts for non-resident active military or honorably discharged veterans.

Revenue from the sales of Military Gold Sportsman licenses are deposited into the State Game Trust Fund and the Marine Resources Trust Fund. Additionally, the Military Gold Sportsman license qualifies for certification to the U.S. Fish & Wildlife Service for grant funding through the Wildlife and Sport Fish Restoration Program.

- b. Proposed Change:** Provides for a 100% discount on recreational fishing and hunting licenses and permits for residents "in active military service as defined in s. 115.08 and an honorably discharged veteran of the United States Armed Forces, the United States Coast Guard, military reserves, the Florida National Guard, or the United States Coast Guard Reserve." Persons claiming these exemptions must present "proof of such residency and active military services or honorable discharge." The bill also provides a 50% discount on recreational fishing and hunting licenses and permits for non-residents "in active military service as defined in s. 115.08 and an honorably discharged veteran of the United States Armed Forces, the United States Coast Guard, military reserves, the Florida National Guard, or the United States Coast Guard Reserve."

### Section 2: Description of Data and Sources

Bill analysis by FWC

Recreational fishing and hunting license sales and fees - FWCC

Number of active military personnel - Department of Military Affairs/ LAO

Number of Veterans – U.S. Department of Veterans Affairs -

[https://www.va.gov/vetdata/docs/SpecialReports/State\\_Summaries\\_Florida.pdf](https://www.va.gov/vetdata/docs/SpecialReports/State_Summaries_Florida.pdf)

2016 National Survey of Fishing, Hunting, and Wildlife-Associated Recreation -Percentage of persons participating in activity -

<https://www.census.gov/library/publications/2018/demo/fhw-16-nat.html>

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

The FWC provides that based on July 1, 2019 Census data and their sales data from 07/01/2019 through 06/30/2020, 14.41% of the Florida population fishes and/or hunts and .32% of the US population fish and/or hunt in Florida.

#### Department of Military Affairs as of August 31, 2021:

Florida Active Duty and Reserves – 103,094

Rest of U.S. Active Duty and Reserves – 2,078,685

#### US Department of Veteran Affairs as of September 30, 2019:

FL Veterans under 65 (FL residents over 65 are exempt) – 761,925

Rest of US Veterans – 18,386,025

**REVENUE ESTIMATING CONFERENCE**

**Tax:** Other Taxes and Fees

**Issue:** Hunting and Fishing License Military Discount

**Bill Number(s):** SB1270/HB683

**Section 4: Proposed Fiscal Impact**

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2022-23			\$(5.2)	\$(5.2)		
2023-24			\$(5.3)	\$(5.3)		
2024-25			\$(5.3)	\$(5.3)		
2025-26			\$(5.4)	\$(5.4)		
2026-27			\$(5.5)	\$(5.5)		

**List of affected Trust Funds:** State Game Trust Fund and the Marine Resources Trust Fund; certification to the U.S. Fish & Wildlife Service for grant funding through the Wildlife and Sport Fish Restoration Program

**Section 5: Consensus Estimate (Adopted: 01/28/2022): The Conference adopted the proposed estimate.**

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2022-23	(0.3)	(0.3)	(4.9)	(4.9)	0.0	0.0	(5.2)	(5.2)
2023-24	(0.3)	(0.3)	(4.9)	(4.9)	0.0	0.0	(5.2)	(5.2)
2024-25	(0.3)	(0.3)	(5.0)	(5.0)	0.0	0.0	(5.3)	(5.3)
2025-26	(0.3)	(0.3)	(5.1)	(5.1)	0.0	0.0	(5.4)	(5.4)
2026-27	(0.3)	(0.3)	(5.2)	(5.2)	0.0	0.0	(5.5)	(5.5)

License Type	RESIDENCY (RESIDENT, NONRESIDENT, ALL)	Term	License Cost	2021 Units Sold <sup>as of</sup> 7/1/2021	FY 2021 Sales	2020 Units Sold <sup>as of</sup> 7/1/2020	FY 2020 Sales	2019 Units Sold <sup>as of</sup> 7/2/2019	FY 2019 Sales
Freshwater Fishing	Nonresident	7 day	\$28.50	20,337	\$579,604.50	15,340	\$437,190.00	17,854	\$508,839.00
Freshwater Fishing	Nonresident	1 year	\$45.50	70,786	\$3,220,763.00	63,458	\$2,887,339.00	57,642	\$2,622,711.00
Freshwater Fishing	Nonresident	3 day	\$15.50	53,767	\$833,388.50	46,030	\$713,465.00	54,608	\$846,424.00
Hunting	Nonresident	1 year	\$150.00	3,038	\$455,700.00	2,263	\$339,450.00	2,233	\$334,950.00
Hunting	Nonresident	10 day	\$45.00	8,729	\$392,805.00	6,315	\$284,175.00	7,409	\$333,405.00
Saltwater Fishing	Nonresident	3 day	\$15.50	229,663	\$3,559,776.50	191,810	\$2,973,055.00	219,870	\$3,407,985.00
Saltwater Fishing	Nonresident	7 day	\$28.50	117,166	\$3,339,231.00	81,613	\$2,325,970.50	101,306	\$2,887,221.00
Saltwater Fishing	Nonresident	1 year	\$45.50	252,388	\$11,483,654.00	208,338	\$9,479,379.00	200,819	\$9,137,264.50
Freshwater Fishing	Resident	1 year	\$15.50	237,625	\$3,683,187.50	240,495	\$3,727,672.50	202,199	\$3,134,069.00
Freshwater Fishing	Resident	5 year	\$77.50	5,057	\$391,917.50	4,550	\$352,625.00	3,872	\$300,080.00
Freshwater Fishing (13-64) Lifetime	Resident	Lifetime	\$300.00	661	\$198,300.00	516	\$154,800.00	417	\$125,100.00
Freshwater/Saltwater Fishing	Resident	1 year	\$31.00	217,191	\$6,732,921.00	212,589	\$6,590,259.00	194,589	\$6,032,259.00
Freshwater/Saltwater/Hunting	Resident	1 year	\$46.50	15,482	\$719,913.00	14,492	\$673,878.00	13,863	\$644,629.50
Gold Sportsman	Resident	1 year	\$98.50	48,435	\$4,770,847.50	43,656	\$4,299,623.50	39,598	\$3,900,403.00
Gold Sportsman	Resident	5 year	\$492.50	398	\$196,015.00	330	\$162,525.00	317	\$156,122.50
Hunting	Resident	1 year	\$15.50	56,922	\$882,291.00	57,503	\$891,296.50	54,754	\$848,687.00
Hunting	Resident	5 year	\$77.50	1,046	\$81,065.00	899	\$69,672.50	776	\$60,140.00
Hunting & Freshwater Fishing	Resident	1 year	\$31.00	4,586	\$142,166.00	4,614	\$143,034.00	4,398	\$136,338.00
Hunting (16-64) Lifetime	Resident	Lifetime	\$500.00	188	\$94,000.00	163	\$81,500.00	136	\$68,000.00
Military Gold Sportsman's License	Resident	1 year	\$18.50	23,034	\$426,129.00	22,745	\$420,782.50	21,619	\$399,951.50
Saltwater Fishing	Resident	1 year	\$15.50	474,929	\$7,361,399.50	447,554	\$6,937,087.00	424,802	\$6,584,431.00
Saltwater Fishing	Resident	5 year	\$77.50	16,576	\$1,284,640.00	15,782	\$1,223,105.00	15,138	\$1,173,195.00
Saltwater Fishing	Resident	1 year	\$15.50	4,031	\$62,480.50	3,208	\$49,724.00	2,724	\$42,222.00
Saltwater Fishing (13-64) Lifetime	Resident	Lifetime	\$300.00	3,501	\$1,050,300.00	2,841	\$852,300.00	2,632	\$789,300.00
Saltwater Shoreline Fishing	Resident	1 year	\$0.00	210,454	\$0.00	238,500	\$0.00	230,538	\$0.00
Sportsman (Freshwater Only)	Resident	1 year	\$79.00	1,758	\$138,882.00	1,929	\$152,391.00	1,997	\$157,763.00
Sportsman's (16-64) Lifetime	Resident	Lifetime	\$1,000.00	1,560	\$1,560,000.00	1,106	\$1,106,000.00	960	\$957,000.00

A hunting, freshwater, and saltwater fishing license and permit shall be issued without fee to active duty FL resident and honorably discharged FL resident.  
 A hunting, freshwater, and saltwater fishing license and permit shall be issued at a 50% discount to active duty non resident and honorably discharged non resident.

Assume lose all military gold revenue.

Military Gold	FY 2020-21	FY 2019-20	FY 2018-19
Units Sold	23,034	22,745	21,619
Sales (\$)	\$426,129	\$420,783	\$399,952
growth	1.3%	5.2%	

		Avg. 2021 Revenue for FL residents	Non-resident military who will use 50% discount.		Avg. 2021 Revenue for nonresidents
Resident military who will use discount			US Active Duty and Reserves	2,078,685	<u>\$31.57</u>
FL Active Duty and Reserves	103,094	<u>\$22.62</u>	Us Veterans	18,386,025	
FL Veterans (under 65)	761,925			<b>Total</b>	20,464,710
<b>Total</b>	865,019				
% that hunt/fish in Florida	14.41%		% that Hunt/Fish in Florida	0.32%	
% that salt fish in Florida	13.24%		% that salt fish in Florida	0.28%	
% that fresh fish in Florida	7.10%		% that fresh fish in Florida	0.07%	
% that hunt in Florida	2.40%		% that hunt in Florida	0.01%	
Number of sales (less military gold)	101,615		Number of sales	65,487	
Average Revenue	\$22.62		Average Revenue	\$31.57	
Total Revenue	\$2,298,347		Total Revenue	\$2,067,598	
			50% Discount	\$ 1,033,799	

	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
<b>State Revenues Lost</b>	(\$3.8)	(\$3.8)	(\$3.9)	(\$3.9)	(\$4.0)	(\$4.0)	(\$4.1)
Grow @ 1.5%		1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
<b>Federal Grant Impact</b>	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
Fishing	(\$0.9)						
Hunting	(\$0.3)						
Grow @ 1.5%	(\$1.3)	(\$1.3)	(\$1.3)	(\$1.3)	(\$1.3)	(\$1.4)	(\$1.4)

**REVENUE ESTIMATING CONFERENCE**

**Tax:** Sales and Use Tax

**Issue:** Sales Tax Holiday – Freedom Week - Recreation Sales Tax Holiday

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

**Entire Bill** N/A

**Partial Bill:**

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

**Month/Year Impact Begins:** 07/2022

**Date of Analysis:** 01/28/2022

**Section 1: Narrative**

- a. **Current Law:** Chapter 212, F.S. authorizes the collection of sales and use tax on admissions to ticketed events, gym memberships, museum tickets and memberships, and outdoor equipment.
- b. **Proposed Change:** During the period of July 1, 2022 to July 7, 2022, the following items are exempt from sales and use tax: sales of tickets to live music events, state parks, live sporting events, festivals (including ballets, plays and musical performances), movie tickets, and museum tickets that are scheduled to be held between July 1, 2022 and December 31, 2022; use of or access to clubs providing physical fitness facilities between July 1, 2022 and December 31, 2022; the retail sale of specified boating and water activity supplies, camping supplies, fishing supplies, general outdoor supplies, and sports equipment.

The retail sales exemption is valid only for the listed items and subject to the following price conditions. The retail exemption is not valid for commercial fishing supplies.

<b>Expenditure Type</b>	<b>Description</b>
Boating and water activity supplies	<ul style="list-style-type: none"> <li>• Snorkels, goggles, and swimming masks (\$25 or less)</li> <li>• Life jackets, coolers, paddles, and oars (\$75 or less)</li> <li>• Safety flares (\$50 or less)</li> <li>• Water skis, wakeboards, and kneeboards and recreational inflatable water tubes or floats capable of being towed (\$150 or less)</li> <li>• Canoes &amp; kayaks (\$500 or less)</li> <li>• Paddleboards and surfboards (\$300 or less)</li> </ul>
Camping supplies	<ul style="list-style-type: none"> <li>• Camping lanterns and flashlights (\$30 or less)</li> <li>• Sleeping bags, portable hammocks, and camping stoves and collapsible camping chairs (\$50 or less)</li> <li>• Tents (\$200 or less)</li> </ul>
Fishing supplies	<ul style="list-style-type: none"> <li>• Rods and reels (\$75 or less if sold individually or \$150 or less if sold as a set)</li> <li>• Tackle boxes or bags (\$30 or less)</li> <li>• Bait or fishing tackle (\$5 or less if sold individually or \$10 or less if sold as a set)</li> </ul>
General outdoor supplies	<ul style="list-style-type: none"> <li>• Sunscreen or insect repellent (\$15 or less)</li> <li>• Water bottles (first \$30 or less)</li> <li>• Hydration packs (\$50 or less)</li> <li>• Bicycle Helmets (\$50 or less)</li> <li>• Sunglasses (\$100 or less)</li> <li>• Binoculars (\$200 or less)</li> <li>• Bicycles (\$250 or less)</li> <li>• Outdoor Gas or Charcoal Grills (\$250 or less)</li> </ul>
Sports equipment	<ul style="list-style-type: none"> <li>• Any item used in individual or team sports, not including clothing or footwear (\$40 or less)</li> </ul>

## REVENUE ESTIMATING CONFERENCE

**Tax:** Sales and Use Tax

**Issue:** Sales Tax Holiday – Freedom Week - Recreation Sales Tax Holiday

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

### Section 2: Description of Data and Sources

- Sales Tax Holiday – HB7061- Section 46, Revenue Estimating Conference, <http://edr.state.fl.us/Content/conferences/revenueimpact/archives/2021/pdf/page555-567.pdf>
- Florida Economic Estimating Conference, December 2021.
- Florida Demographic Estimating Conference, December 2021.
- IBISWorld reports
- US Bureau of Labor Statistics, Consumer Expenditures Survey, Average annual expenditures and characteristics, Table 1800, 2020.
- US Bureau of Labor Statistics, Consumer Expenditures Survey, Annual expenditure means and characteristics, Florida: Quintiles of income before taxes, 2018-2019.
- US Census Bureau, Annual Estimates of the Resident Population for the United States, Regions, States, and the District of Columbia: April 1, 2020 to July 1, 2021.
- BassProShop, [www.bassproshop.com](http://www.bassproshop.com)
- Academy Sports, [www.academysports.com](http://www.academysports.com)
- Walmart, [www.walmart.com](http://www.walmart.com)

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

The analysis was split into multiple components, each using a separate methodology. The first methodology was used to estimate the sales and use tax impact on ticket sales and memberships. This methodology relied on IBISWorld Industry Reports to estimate the amount of ticket and membership revenue generated by the qualified industries in Florida. Next, the analysis led to an estimate of the portion of annual ticket and membership revenue that will be purchased during the sales tax holiday. Underlying the analysis is an expectation that the tax holiday will shift ticket and membership sales from later periods into the qualified week. The analysis also assumed that a large majority of museum ticket sales (83%) are already tax exempt because these museums are operated by a 501(c)(3) (Florida Statute 212.042(a), F.S.). Finally, the numbers were checked against sales tax collection data for Kind Code 59 for reasonableness.

Second, the estimates for retail sales for boating and water activities, camping supplies, fishing supplies, sports equipment, and partially for outdoor supplies used average annual expenditures by consumer unit by category from the Consumer Expenditures Survey for the United States and applied their respective shares of total expenditures to Florida average annual expenditures for calendar years 2018-2019. The expenditures were grown by Florida personal income growth to 2022. The estimate for outdoor supplies used IBISWorld reports for US market size for sunscreen, insect repellent, and sunglasses and assumed Florida's market for these items was proportional to Florida's share of the US population. Other sports equipment expenditures from the Consumer Expenditures Survey were used as an estimate for spending on water bottles, hydration packs, and binoculars.

Third, the estimate for sales tax on State Park entrance fees was based on FY 2020-21 annual pass and day pass fees and assumptions made on the number of months' worth of annual passes and number of weeks' worth of single-day passes that would be sold during the tax exemption period.

The table below shows the estimated impacts.

EXEMPTION TYPE	HIGH	MIDDLE	LOW
Admissions	40.3	40.3	40.3
Retail sales	6.0	2.6	1.9
<b>Total</b>	<b>46.3</b>	<b>42.9</b>	<b>42.2</b>

**REVENUE ESTIMATING CONFERENCE**

**Tax:** Sales and Use Tax

**Issue:** Sales Tax Holiday – Freedom Week - Recreation Sales Tax Holiday

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

**Section 4: Proposed Fiscal Impact**

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2022-23	(46.3)		(42.9)		(42.2)	
2023-24						
2024-25						
2025-26						
2026-27						

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

**Section 5:**

**Consensus Estimate (Adopted: 01/28/2022):** The Conference adopted the proposed estimate for admissions and a hybrid of the proposed estimates for retail sales, adopting 3 weeks for all items except sports equipment.

	GR		Trust		Revenue Sharing		Local Half Cent	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2022-23	(44.5)	0.0	(Insignificant)	0.0	(1.5)	0.0	(4.3)	0.0
2023-24	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2024-25	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2025-26	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2026-27	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

	Local Option		Total Local		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2022-23	(7.4)	0.0	(13.2)	0.0	(57.7)	0.0
2023-24	0.0	0.0	0.0	0.0	0.0	0.0
2024-25	0.0	0.0	0.0	0.0	0.0	0.0
2025-26	0.0	0.0	0.0	0.0	0.0	0.0
2026-27	0.0	0.0	0.0	0.0	0.0	0.0

**Proposed Language, Freedom Week Sales Tax Holiday (\$xxx or less of sales price)**

**1 week, July 1 - 7, 2022**

**Summary**

**Estimated Sales Tax Exemptions (Millions of Dollars)**

<b>EXEMPTION TYPE</b>	<b>HIGH</b>	<b>MIDDLE</b>	<b>LOW</b>	
Admissions	44.1	44.1	44.1	
Retail sales	6.2	6.2	6.2	6.245616
<b>Total</b>	<b>50.3</b>	<b>50.3</b>	<b>50.3</b>	



	A	B	C	D	E	F	G	H	I	J	K	L		
1	<b>Proposed Language, Freedom Week Sales Tax Holiday (\$xxx or less of sales price)</b>													
2	<b>1 week, July 1 - 7, 2022</b>													
3	<b>ADMISSIONS</b>													
4														
5														
6	<b>Industry</b>	<b>Total Industry Revenue (2021)</b>	<b>US Ticket Revenue (Est.)</b>	<b>Florida Ticket Revenue (Est.)</b>				<b>Number of Weeks Worth of Movie Tickets Sold During the Tax-Exempt Period</b>						
7	Movie Theaters in the US	\$9,446,000,000	\$5,979,318,000	\$292,986,582				4						
8								Exempt Ticket Revenue:		22,537,429				
9								Expected Sales Tax Impact (6%):		1,352,246				
10														
11														
12		<b>Total Industry Revenue (2021)</b>	<b>US Membership Revenue (Est.)</b>	<b>Florida Membership Revenue (Est.)</b>				<b>Number of Months Worth of Gym Memberships Sold During the Tax-Exempt Period</b>						
13	Gym, Health & Fitness Clubs in the US	\$35,303,000,000	\$24,006,040,000	\$1,488,374,480				3						
14								Exempt Membership Revenue:		372,093,620				
15								Expected Sales Tax Impact (6%):		22,325,617				
16														
17														
18		<b>Total Industry Revenue (2021)</b>	<b>US Ticket Sales - Live Music (Est.)</b>	<b>Florida Ticket Revenue (Est.)</b>				<b>Number of Months Worth of Concert Tickets Sold During the Tax-Exempt Period</b>						
19	Concert & Event Promotion	\$20,443,000,000	\$6,092,014,000	\$450,809,036				2						
20								Exempt Ticket Revenue:		75,134,839				
21								Expected Sales Tax Impact (6%):		4,508,090				
22														
23														
24		<b>Total Industry Revenue (2021)</b>	<b>US Ticket Sales - Admission (Est.)</b>	<b>Florida Ticket Revenue (Est.)</b>				<b>Number of Months Worth of Sporting Event Tickets Sold During the Tax-Exempt Period</b>						
25	Live Sports Industry	\$45,939,000,000	\$13,807,837,000	\$1,509,746,784				2						
26								Exempt Ticket Revenue:		251,624,464				
27								Expected Sales Tax Impact (6%):		15,097,468				
28														
29														
30	<b>Government</b>	<b>Total Individual and Family Annual Pass Revenue (FY20-21)</b>	<b>Total Daily Entrance Pass Revenue (FY20-21)</b>				<b>Number of Months Worth of Annual Passes Sold During the Tax-Exempt Period</b>			<b>Number of Weeks Worth of Single-Day Passes Sold During the Tax-Exempt Period</b>				
31	Florida Parks	5,471,520	23,410,692				1			2				
32								Exempt Pass Revenue:		455,960		900,411		
33	Source: State Park Trust Fund							Expected Sales Tax Impact (6%):		27,358		54,025		
34														
35														
36	<b>Museums</b>	<b>Total Industry Revenue (2021)</b>	<b>For-Profit Museum Industry Revenue (US)</b>	<b>For-Profit Florida Membership Revenue (Est.)</b>	<b>For-Profit Florida Ticket Revenue (Est.)</b>				<b>Number of Months Worth of Membership Passes Sold During the Tax-Exempt Period</b>			<b>Number of Weeks Worth of Single-Day Passes Sold During the Tax-Exempt Period</b>		
37						<b>LOW</b>	<b>MIDDLE</b>	<b>HIGH</b>	<b>LOW</b>	<b>MIDDLE</b>	<b>HIGH</b>			
38	Museum Industry	\$15,408,000,000	2,619,360,000	13,066,447	57,987,696	2			2					
39								Exempt Pass Revenue:		2,177,741		2,230,296		
40								Expected Sales Tax Impact (6%):		130,664		133,818		
41														
42														
43	<b>Plays, Ballets, Musical Theatre, State Fairs, Cultural Events</b>	<b>Total Industry Revenue (2021)</b>	<b>For-Profit Ticket Revenue (US)</b>				<b>Number of Months Worth of Tickets Sold During the Tax-Exempt Period</b>							
44				<b>Florida Ticket Revenue (Est.)</b>				<b>LOW</b>	<b>MIDDLE</b>	<b>HIGH</b>				
45	Festival Industry	\$3,700,183,000	629,031,110	\$46,548,302	2									
46								Exempt Pass Revenue:		7,758,050				
47								Expected Sales Tax Impact (6%):		465,483				
48														
49														
50	ANNUAL REVENUE (7 sectors)				\$3,888,401,539									
51	Implied Annual Sales Tax ( 7 Sectors)				\$233,304,092		Newly Exempt Share of KC 59							
52	CY 2021 Kind Code 59 Collections				\$1,011,902,374		23.1%							
53														
54														
55	<b>Total Sales Tax Impact</b>	<b>LOW</b>	<b>MIDDLE</b>	<b>HIGH</b>										
56	FY2022-23		\$44,094,769											
57	FY2023-24	\$0	\$0	\$0										
58	FY2025-26	\$0	\$0	\$0										
59	FY2026-27	\$0	\$0	\$0										
60	FY2027-28	\$0	\$0	\$0										
61	Implied Share of Annual Sales Tax	0.0%	18.9%	0.0%										
62	Implied Share of CY 2021 KC 59	0.0%	4.4%	0.0%										

	A	B	C	D	E	F	G	H	I
1									
2	<b>Proposed Language, Freedom Week Sales Tax Holiday (\$xxx or less of sales price)</b>								
3	<b>1 week, July 1 - 7, 2022</b>								
4	<b>RETAIL SALES EXEMPTIONS</b>								
5	<b>SUMMARY</b>								
6									
7	<b>1. Impact under price caps proposed language version.</b>								
8	<b>Annual expenditures (millions of \$)</b>								
9	<b>Category</b>	<b>Annual Expenditures (\$ (Total Market)</b>							
10	Boating and water activity supplies	\$ 105.8							
11	Camping supplies	\$ 344.7							
12	Fishing supplies	\$ 403.3							
13	General outdoor supplies (all else)	\$ 308.6							
14	<b>General outdoor supplies (bicycles, bicycle helmets, outdoor grills)</b>	<b>\$ 672.0</b>							
15	<b>Water sports (Canoes &amp; kayaks, paddles &amp; oars, water skis, wake-, knee-, paddle-, &amp; surfboards)</b>	<b>\$ 113.7</b>							
16	<b>Sports Equipment, selling for \$40 or LESS, NOT including clothing or footwear</b>	<b>\$ 498.1</b>							
17	<b>Florida Expenditures</b>	<b>\$ 2,446.3</b>							
18	<b>% of Category that falls below price cap</b>								
19	<b>% of Category that falls below price cap</b>	<b>Annual Expenditures (\$)</b>	<b>Low</b>	<b>Middle</b>	<b>High</b>	<b>Adopted</b>			
20	Boating and water activity supplies	\$ 105.8	25%	40%	50%	50%			
21	Camping supplies	\$ 344.7	30%	40%	50%	50%			
22	Fishing supplies	\$ 403.3	25%	30%	60%	50%			
23	General outdoor supplies (all else)	\$ 308.6	30%	60%	70%	50%			
24	General outdoor supplies (bicycles, bicycle helmets, outdoor grills)	\$ 672.0	30%	40%	100%	50% Analyst assumption from prior impact			
25	Water sports (Canoes & kayaks, paddles & oars, water skis, wake-, knee-, paddle-, & surfboards)	\$ 113.7	30%	40%	100%	50% Analyst assumption from prior impact			
26	Sports Equipment, selling for \$40 or LESS, NOT including clothing or footwear	\$ 498.1	30%	40%	75%	50% Analyst assumption from prior impact			

	A	B	C	D	E	F	G	H	I
27	<b>Florida Expenditures</b>	<b>\$ 2,446.3</b>							
28									
29									
30	<b>Annual expenditures (millions of \$)</b>	<b>Annual Expenditures (\$)</b>	<b>Low</b>	<b>Middle</b>	<b>High</b>		<b>Adopted</b>		
31	Boating and water activity supplies	\$ 105.8	26.44	42.30	52.88		52.88		
32	Camping supplies	\$ 344.7	103.41	137.88	172.35		172.35		
33	Fishing supplies	\$ 403.3	100.83	121.00	242.00		201.66		
34	General outdoor supplies	\$ 308.6	92.59	185.18	216.04		154.31		
35	General outdoor supplies (bicycles, bicycle helmets, outdoor grills)	\$ 672.0	201.60	268.80	671.99		<b>336.00</b>	Related to prior impact	
36	Water sports (Canoes & kayaks, paddles & oars, water skis, wake-, knee-, paddle-, & surfboards)	\$ 113.7	34.11	45.48	113.71		<b>56.86</b>	Related to prior impact	
37	Sports Equipment, selling for \$40 or LESS, NOT including clothing or footwear	\$ 498.1	149.44	199.26	373.60		<b>249.07</b>	Related to prior impact	
38	<b>Florida Expenditures</b>	<b>\$ 2,446.3</b>	<b>\$ 708.4</b>	<b>\$ 999.9</b>	<b>\$ 1,842.6</b>		<b>\$ 1,223.1</b>		
39									
40									

	A	B	C	D	E	F	G	H	I
41	<b>Weekly expenditures (millions of \$)</b>								
42		<b>Weekly Expenditures (\$ Total)</b>	<b>Low</b>	<b>Middle</b>	<b>High</b>	<b>Adopted</b>			
43	Boating and water activity supplies	\$ 2.0	\$ 0.51	\$ 0.81	\$ 1.02	\$ 1.02			
44	Camping supplies	\$ 6.6	\$ 1.99	\$ 2.65	\$ 3.31	\$ 3.31			
45	Fishing supplies	\$ 7.8	\$ 1.94	\$ 2.33	\$ 4.65	\$ 3.88			
46	General outdoor supplies	\$ 5.9	\$ 1.78	\$ 3.56	\$ 4.15	\$ 2.97			
47	General outdoor supplies (bicycles, bicycle helmets, outdoor grills)	\$ 12.9	\$ 3.88	\$ 5.17	\$ 12.92	\$ 6.46			Related to prior impact
48	Water sports (Canoes & kayaks, paddles & oars, water skis, wake-, knee-, paddle-, & surfboards)	\$ 2.2	\$ 0.66	\$ 0.87	\$ 2.19	\$ 1.09			Related to prior impact
49	Sports Equipment, selling for \$40 or LESS, NOT including clothing or footwear	\$ 9.6	\$ 2.87	\$ 3.83	\$ 7.18	\$ 4.79			Related to prior impact
50	<b>Florida Expenditures</b>	<b>\$ 47.0</b>	<b>\$ 13.6</b>	<b>\$ 19.2</b>	<b>\$ 35.4</b>	<b>\$ 23.5</b>			
51									
52									
53	<b>Spending Behavior</b>	<b>Low</b>	<b>Middle</b>	<b>High</b>	<b>Adopted Expenditures</b>	<b>Adopted Weeks</b>	<b>Adopted Sales Tax</b>		
54	<b># weeks</b>	<b>2</b>	<b>4</b>	<b>8</b>	<b>3</b>		<b>3</b>		
55	Boating and water activity supplies	\$ 1.0	\$ 3.3	\$ 8.1	\$ 3.1	3	\$ 0.2		
56	Camping supplies	\$ 4.0	\$ 10.6	\$ 26.5	\$ 9.9	3	\$ 0.6		
57	Fishing supplies	\$ 3.9	\$ 9.3	\$ 37.2	\$ 11.6	3	\$ 0.7		
58	General outdoor supplies	\$ 3.6	\$ 14.2	\$ 33.2	\$ 8.9	3	\$ 0.5		
59	General outdoor supplies (bicycles, bicycle helmets, outdoor grills)	\$ 7.8	\$ 20.7	\$ 103.4	\$ 19.4	3	\$ 1.2		Related to prior impact
60	Water sports (Canoes & kayaks, paddles & oars, water skis, wake-, knee-, paddle-, & surfboards)	\$ 1.3	\$ 3.5	\$ 17.5	\$ 3.3	3	\$ 0.2		Related to prior impact
61	Sports Equipment, selling for \$40 or LESS, NOT including clothing or footwear	\$ 5.7	\$ 15.3	\$ 57.5	\$ 47.9	10	\$ 2.9		Related to prior impact
62	<b>Florida Expenditures</b>	<b>\$ 27.2</b>	<b>\$ 76.9</b>	<b>\$ 283.5</b>	<b>\$ 104.1</b>		<b>\$ 6.2</b>		
63									
64									

	A	B	C	D	E	F	G	H	I
65									
66	<b>Sales Tax</b>	<b>Low</b>	<b>Middle</b>	<b>High</b>	<b>Adopted Expenditures</b>				
67	<b># weeks</b>	<b>2</b>	<b>4</b>	<b>8</b>	<b>4</b>				
68	Boating and water activity supplies	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2				
69	Camping supplies	\$ 0.6	\$ 0.6	\$ 0.6	\$ 0.6				
70	Fishing supplies	\$ 0.7	\$ 0.7	\$ 0.7	\$ 0.7				
71	General outdoor supplies	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.5				
72	General outdoor supplies (bicycles, bicycle helmets, outdoor grills)	\$ 0.5	\$ 1.2	\$ 6.2	\$ 1.2				
73	Water sports (Canoes & kayaks, paddles & oars, water skis, wake-, knee-, paddle-, & surfboards)	\$ 0.1	\$ 0.2	\$ 1.0	\$ 0.2				
74	Sports Equipment, selling for \$40 or LESS, NOT including clothing or footwear	\$ 0.3	\$ 0.9	\$ 3.4	\$ 2.9				
75	<b>Florida Expenditures</b>	<b>\$ 2.4</b>	<b>\$ 3.1</b>	<b>\$ 6.5</b>	<b>\$ 6.2</b>				
76									
77									
78	<b>Sales Tax</b>	<b>\$ 2.4</b>	<b>\$ 3.1</b>	<b>\$ 6.5</b>	<b>\$ 6.2</b>				
79									

**Proposed Language, Freedom Week Sales Tax Holiday (\$xxx or less of sales price)**

**1 week, July 1 - 7, 2022**

**RETAIL SALES EXEMPTIONS**

**ITEMS, EXEMPT FROM SALES TAX, BY CATEGORY**

<b>Expenditure Type</b>	<b>Description</b>
Boating and water activity supplies	<ul style="list-style-type: none"> <li>• Snorkels, goggles, and swimming masks (\$25 or less)</li> <li>• Life jackets, coolers, paddles, and oars (\$75 or less)</li> <li>• Safety flares (\$50 or less)</li> <li>• Water skis, wakeboards, and kneeboards and recreational inflatable water tubes or floats capable of being towed (\$150 or less)</li> <li>• Canoes &amp; kayaks (\$500 or less)</li> <li>• Paddleboards and surfboards (\$300 or less)</li> </ul>
Camping supplies	<ul style="list-style-type: none"> <li>• Camping lanterns and flashlights (\$30 or less)</li> <li>• Sleeping bags, portable hammocks, and camping stoves and collapsible camping chairs (\$50 or less)</li> <li>• Tents (\$200 or less)</li> </ul>
Fishing supplies	<ul style="list-style-type: none"> <li>• Rods and reels (\$75 or less if sold individually or \$150 or less if sold as a set)</li> <li>• Tackle boxes or bags (\$30 or less)</li> <li>• Bait or fishing tackle (\$5 or less if sold individually or \$10 or less if sold as a set)</li> </ul>
General outdoor supplies	<ul style="list-style-type: none"> <li>• Sunscreen or insect repellent (\$15 or less)</li> <li>• Water bottles (first \$30 or less)</li> <li>• Hydration packs (\$50 or less)</li> <li>• Bicycle Helmets (\$50 or less)</li> <li>• Sunglasses (\$100 or less)</li> <li>• Binoculars (\$200 or less)</li> <li>• Bicycles (\$250 or less)</li> <li>• Outdoor Gas or Charcoal Grills (\$250 or less)</li> </ul>
Sports equipment	<ul style="list-style-type: none"> <li>• Any item used in individual or team sports, not including clothing or footwear (\$40 or less)</li> </ul>

	A	B	C	D	E	F	G	H	I	J	K	L	M	N
1	<b>Proposed Language, Freedom Week Sales Tax Holiday (\$xxx or less of sales price)</b>													
2	<b>1 week, July 1 - 7, 2022</b>													
3	<b>RETAIL SALES EXEMPTIONS</b>													
4	<b>Outdoor items</b>													
5														
6	<b>Florida share of US population</b>													
7	<b>July 1, 2021 Population</b>													
8	United States		331,893,745											
9	Florida		21,781,128											
10	Florida's share of US total		6.6%											
11	Plus adjustment for FTE visitors		7.3%											
12	Source: US Census Bureau, Annual Estimates of the Resident Population for the United States, Regions, States, and the District of Columbia: April 1, 2020 to July 1, 2021													
13														
14	FL population growth, FY ending, FDEC													
15		2019	2020	2021	2022									
16		1.6	1.6	1.7	1.6									
17														
18	<b>Insect repellent</b>		IBIS Data	EDR Estimate	EDR Estimate									
19	United States		2020	2021	2022									
20	Domestic demand (\$)		326,000,000	331,443,656	336,808,886									
21	Source: IBISWorld Reports, US INDUSTRY (SPECIALIZED) REPORT OD4948, Insect Repellent Manufacturing, Constant buzz: Eco-conscious, natural products will be the industry's saving grace going forward, August 2020.													
22														
23			2022											
24	Florida insect repellent demand		24,522,023.68											
25														
26														
27	<b>Sunscreen</b>		EDR Estimate											
28	United States		2021	2022										
29	Domestic demand (\$)		513,600,000	521,913,879										
30	Source: IBISWorld, US INDUSTRY (SPECIALIZED) REPORT OD4244, Sunscreen Manufacturing Sunny outlook: A return to outdoor gatherings and activities will drive demand for sunscreen, March 2021.													
31			2022											
32	Florida sunscreen demand		37,998,951											
33														
34														
35	<b>Sunglasses stores</b>		EDR Estimate											
36	United States		2021	2022										
37	Domestic demand (\$)		1,897,000,000	1,927,707,610										
38	Source: IBISWorld, US INDUSTRY (SPECIALIZED) REPORT OD4229, Sunglasses Stores, Bright lights: Industry revenue is expected to grow as the economy rebounds from the pandemic, February 2021.													
39														
40			2022											
41	Florida sunglass store revenues		140,350,488											
42														
43			2022											
44	Florida - Other sports equipment		105,754,631											
45	Source: US Bureau of Labor Statistics, Table 1800. Region of residence: Average annual expenditures and characteristics, Consumer Expenditure Survey, 2019.													
46														
47			2022											
48	<b>Florida total outdoor sales</b>		<b>308,626,095</b>											

	A	B	C	D	E	F	G	H	I	J
1	<b>Proposed Language, Freedom Week Sales Tax Holiday (\$xxx or less of sales price)</b>									
2	<b>1 week, July 1 - 7, 2022</b>									
3	<b>RETAIL SALES EXEMPTIONS</b>									
4	<b>Camping, boating, fishing, water sports, and other sports equipment</b>									
5										
6	<b>Consumer Expenditures by Category</b>					Estimates				
7		2020	2020	CYs 2018-19				FL population growth, FY ending		
8										
9		United States	South	Florida	FTE Visitors (converted to CUs)			2020	2021	2022
10	Number of Consumer Units	131,234,000	50,574,000	8,987,884	992,933			1.6	1.7	1.6
11	Average number in consumer unit:	2.5	2.5	2.3		FL Pers. Income growth		5.6	7.5	4.0
12	Income after taxes per Consumer Unit (\$)	74,949	69,556	70,109						
13	Average annual expenditures per Consumer Unit (\$)	61,334	55,797	56,535						
14										
15	Average annual expenditures per Consumer Unit (Household)									
16										
17	<b>Camping equipment</b>	27.05	28.87	29.25		291,919,406	308,382,431	331,522,385	344,701,494	
18	% of average annual expenditures	0.04%	0.05%	0.05%						
19										
20	<b>Hunting and fishing equipment</b>	56.04042274	69.35497424	70.27		701,373,595	740,928,113	796,524,803	828,189,292	
21	% of average annual expenditures	0.09%	0.12%	0.12%						
22	Fishing only (share from FW survey)					338,186,269.70	357,258,552	384,066,001	399,333,892	
23										
24										
25	<b>Water sports equipment</b>	12.79	8.86	8.97		89,561,054	94,611,921	101,711,273	105,754,631	
26	% of average annual expenditures	0.02%	0.02%	0.02%						
27										
28										
29	<b>Other sports equipment</b>	10.21	8.86	8.97		89,561,054	94,611,921	101,711,273	105,754,631	
30	% of average annual expenditures	0.02%	0.02%	0.02%						
31										
32	Source: US Bureau of Labor Statistics, Table 1800. Region of residence: Average annual expenditures and characteristics, Consumer Expenditure Survey, 2020.									
33										



	A	B	C	D	E	F	G	H	I	J
1	<b>Proposed Language, Freedom Week Sales Tax Holiday (\$xxx or less of sales price)</b>									
2	<b>1 week, July 1 - 7, 2022</b>									
3	<b>RETAIL SALES EXEMPTIONS</b>									
4	<b>Camping, boating, fishing, water sports, and other sports equipment</b>									
5										
6	<b>Consumer Expenditures by Category</b>					Estimates				
7		2020	2020	CYs 2018-19		FL population growth, FY ending				
8							2020	2021	2022	
9		United States	South	Florida	FTE Visitors (converted to CUs)					
10	Number of Consumer Units	131,234,000	50,574,000	8,987,884	992,933		1.6	1.7	1.6	
11	Average number in consumer unit:	2.5	2.5	2.3		FL Pers. Income grc	5.6	7.5	4.0	
12	Income after taxes per Consumer Unit (\$)	74,949	69,556	70,109						
13	Average annual expenditures per Consumer Unit (\$)	61,334	55,797	56,535						
14										
15	Average annual expenditures per Consumer Unit (Household)									
16										
17	<b>Bicycles</b>	35.51	41.47	42.02		377,658,656	398,957,014	428,893,372	445,943,299	
18	% of average annual expenditures	0.06%	0.07%	0.07%						
19										
20	<b>Bicycle helmets</b>			2.10		18,882,933	19,947,851	21,444,669	22,297,165	
21	% of bicycle expenditures (assumed 5%)			5.0%						
22										
23	<b>Hunting and fishing equipment - INCREMENTAL for tackle boxes</b>	56.04	69.35	0.70		7,013,736	7,409,281	7,965,248	8,281,893	
24	% of average annual expenditures	0.09%	0.12%	0.12%						
25	Fishing only (share from FW survey)					3,381,862.70	3,572,586	3,840,660	3,993,339	
26										
27		West Region - INCREMENTAL								
28	<b>Water sports equipment - INCREMENTAL for:</b>									
	• Canoes & kayaks									
	• Water skis, wakeboards, and kneeboards									
	• Paddleboards and Surfboards									
28	• Paddles and Oars	12.79	9.52	9.65		96,298,688	101,729,529	109,362,962	113,710,500	
29	% of average annual expenditures	0.02%	0.02%	0.02%						
30										
31										
32	<b>Miscellaneous household equipment - Other household appliances (ov</b>	21.63	17.06	17.29		172,554,695	182,286,054	195,964,170	203,754,393	
33	% of average annual expenditures	0.04%	0.03%	0.03%						
34										
35	<b>Athletic gear, game tables, and exercise equipment*</b>	61.49	41.72	42.27		421,861,892	445,653,127	479,093,400	498,138,944	
36	% of average annual expenditures	0.10%	0.07%	0.07%						
37										
38										
39										
40	Source: US Bureau of Labor Statistics, Table 1800. Region of residence: Average annual expenditures and characteristics, Consumer Expenditure Survey, 2020.									

## REVENUE ESTIMATING CONFERENCE

**Tax:** Sales and Use Tax

**Issue:** Sales Tax Exemption for Hydrogen Products

**Bill Number(s):** [HB 1163](#)

**Entire Bill**

**Partial Bill:**

**Sponsor(s):** Representative Overdorf

**Month/Year Impact Begins:** July 1, 2022

**Date of Analysis:** January 27, 2022

### Section 1: Narrative

- a. **Current Law:** Subsection 212.02 (19) F.S., defines: “Tangible personal property” means and includes personal property which may be seen, weighed, measured, or touched or is in any manner perceptible to the senses, including electric power or energy, boats, motor vehicles and mobile homes as defined in s. [320.01](#)(1) and (2), aircraft as defined in s. [330.27](#), and all other types of vehicles. The term “tangible personal property” does not include stocks, bonds, notes, insurance, or other obligations or securities or pari-mutuel tickets sold or issued under the racing laws of the state.

Paragraph 212.08 (5)(c) F.S., *Machinery and equipment used in production of electrical or steam energy.* — **(bold text added for emphasis)**

1. The purchase of machinery and equipment for use at a fixed location which machinery and equipment are necessary in the production of electrical or steam energy resulting from the burning of **boiler fuels** other than residual oil is exempt from the tax imposed by this chapter. Such electrical or steam energy must be primarily for use in manufacturing, processing, compounding, or producing for sale items of **tangible personal property** in this state. **Use of a de minimis amount of residual fuel to facilitate the burning of nonresidual fuel shall not reduce the exemption otherwise available under this paragraph.**

2. In facilities where machinery and equipment are necessary to burn both residual and nonresidual fuels, the exemption shall be prorated. **Such proration shall be based upon the production of electrical or steam energy from nonresidual fuels as a percentage of electrical or steam energy from all fuels.** If it is determined that 15 percent or less of all electrical or steam energy generated was produced by burning residual fuel, the full exemption shall apply. Purchasers claiming a partial exemption shall obtain such exemption by refund of taxes paid, or as otherwise provided in the department’s rules.

3. The department may adopt rules that provide for implementation of this exemption. Purchasers of machinery and equipment qualifying for the exemption provided in this paragraph shall furnish the vendor with an affidavit stating that the item or items to be exempted are for the use designated herein. Any person furnishing a false affidavit to the vendor for the purpose of evading payment of any tax imposed under this chapter shall be subject to the penalty set forth in s. 212.085 and as otherwise provided by law. Purchasers with self-accrual authority shall maintain all documentation necessary to prove the exempt status of purchases.

Paragraph 212.08 (7)(b) F.S., defines: *Boiler fuels.*—When purchased for use as a combustible fuel, purchases of natural gas, residual oil, recycled oil, waste oil, solid waste material, coal, sulfur, wood, wood residues or wood bark used in an industrial manufacturing, processing, compounding, or production process at a fixed location in this state are exempt from the taxes imposed by this chapter; however, such exemption shall not be allowed unless the purchaser signs a certificate stating that the fuel to be exempted is for the exclusive use designated herein. This exemption does not apply to the use of boiler fuels that are not used in manufacturing, processing, compounding, or producing items of tangible personal property for sale, or to the use of boiler fuels used by any firm subject to regulation by the Division of Hotels and Restaurants of the Department of Business and Professional Regulation.

Paragraph 212.08 (7)(jjj) F.S., provides in part: Certain machinery and equipment. — . — **(bold text added for emphasis)**

1. Industrial machinery and equipment purchased by eligible manufacturing businesses which is used at a fixed location in this state for the manufacture, processing, compounding, or production of items of tangible personal property for sale is exempt from the tax imposed by this chapter. If, at the time of purchase, the purchaser furnishes the seller with a signed certificate certifying the purchaser’s entitlement to exemption pursuant to this paragraph, the seller is not required to collect the tax on the sale of such items, and the department shall look solely to the purchaser for recovery of the tax if it determines that the purchaser was not entitled to the exemption.

## REVENUE ESTIMATING CONFERENCE

**Tax:** Sales and Use Tax

**Issue:** Sales Tax Exemption for Hydrogen Products

**Bill Number(s):** [HB 1163](#)

2. For purposes of this paragraph, the term:

a. **“Eligible manufacturing business” means any business whose primary business activity at the location where the industrial machinery and equipment is located is within the industries classified under NAICS codes 31, 32, 33, 112511, and 423930.**

b. **“Eligible postharvest activity business” means a business whose primary business activity, at the location where the postharvest machinery and equipment is located, is within the industries classified under NAICS code 115114.**

c. **“NAICS” means those classifications contained in the North American Industry Classification System, as published in 2007 by the Office of Management and Budget, Executive Office of the President.**

d. **“Primary business activity” means an activity representing more than 50 percent of the activities conducted at the location where the industrial machinery and equipment or postharvest machinery and equipment is located.**

e. **“Industrial machinery and equipment” means tangible personal property or other property that has a depreciable life of 3 years or more and that is used as an integral part in the manufacturing, processing, compounding, or production of tangible personal property for sale. The term includes tangible personal property or other property that has a depreciable life of 3 years or more which is used as an integral part in the recycling of metals for sale. A building and its structural components are not industrial machinery and equipment unless the building or structural component is so closely related to the industrial machinery and equipment that it houses or supports that the building or structural component can be expected to be replaced when the machinery and equipment are replaced. Heating and air-conditioning systems are not industrial machinery and equipment unless the sole justification for their installation is to meet the requirements of the production process, even though the system may provide incidental comfort to employees or serve, to an insubstantial degree, nonproduction activities. The term includes parts and accessories for industrial machinery and equipment only to the extent that the parts and accessories are purchased before the date the machinery and equipment are placed in service.**

**b. Proposed Change:**

Under F.S. 212.08 (5) (c) 1, The purchase of machinery and equipment for use at a fixed location which machinery and equipment are necessary in the production of electrical or steam energy resulting from the burning of hydrogen or boiler fuels other than residual oil, is exempt from the tax imposed by this chapter. Such electrical or steam energy must be primarily for use in manufacturing, processing, compounding, or producing for sale items of tangible personal property in this state. Use of a de minimis amount of residual fuel to facilitate the burning of nonresidual fuel shall not reduce the exemption otherwise available under this paragraph.

2. In facilities where machinery and equipment are necessary to burn hydrogen, or both residual and nonresidual fuels, the exemption shall be prorated. Such proration shall be based upon the production of electrical or steam energy from nonresidual fuels and hydrogen as a percentage of electrical or steam energy from all fuels. If it is determined that 15 percent or less of all electrical or steam energy generated was produced by burning residual fuel, the full exemption shall apply. Purchasers claiming a partial exemption shall obtain such exemption by refund of taxes paid, or as otherwise provided in the department's rules.

Under F.S. 212.08 (7) (b) is amended to read: Boiler fuels.—When purchased for use as a combustible fuel, purchases of natural gas, residual oil, recycled oil, waste oil, solid waste material, coal, sulfur, hydrogen, wood, wood residues or wood bark used in an industrial manufacturing, processing, compounding, or production process at a fixed location in this state are exempt from the taxes imposed by this chapter; however, such exemption shall not be allowed unless the purchaser signs a certificate stating that the fuel to be exempted is for the exclusive use designated herein. This exemption does not apply to the use of boiler fuels that are not used in manufacturing, processing, compounding, or producing items of tangible personal property for sale, or to the use of boiler fuels used by any firm subject to regulation by the Division of Hotels and Restaurants of the Department of Business and Professional Regulation.

And under F.S. 212.08 (7) is added subsection (ppp) to read:

(ppp) Green hydrogen.—

## REVENUE ESTIMATING CONFERENCE

**Tax:** Sales and Use Tax

**Issue:** Sales Tax Exemption for Hydrogen Products

**Bill Number(s):** [HB 1163](#)

1. As used this paragraph, the term:
  - a. "Green hydrogen" means hydrogen created using an electrolytic process powered from renewable energy sources, including solar energy, wind energy, and geothermal energy. The term also includes hydrogen created using the pyrolytic decomposition of methane gas.
  - b. "Primarily used" means a use of at least 50 percent.
2. The following are exempt from the tax imposed by this chapter:
  - a. The purchase of machinery and equipment primarily used in the production, storage, transportation, compression, or blending of green hydrogen. The machinery and equipment must be used at a fix location
  - b. The purchase of machinery and equipment primarily used in the production, storage, transportation, compression, or blending of ammonia derived from green hydrogen, if the ammonia will be converted back to green hydrogen before its use or sale. The machinery and equipment must be used at a fix location.
  - c. The purchase of machinery and equipment that are necessary to produce electrical energy resulting from the electrochemical reaction of green hydrogen and oxygen in a fuel cell. The electrical energy must be primarily used in manufacturing, processing, compounding, or producing for sale items of tangible personal property in this state. The machinery and equipment must be used at a fix location.
3. Purchasers of machinery and equipment qualifying for the exemption provided in this paragraph shall furnish the vendor with an affidavit stating that the item or items to be exempted are for the use designated herein. Purchasers with self-accrual authority pursuant to s. 212.183 are not required to provide this affidavit but shall maintain all documentation necessary to prove the exempt status of purchases.
4. A person furnishing a false affidavit to the vendor for the purpose of evading payment of any tax imposed under this chapter shall be subject to the penalty set forth in s. 212.085 and as otherwise provided by law. Purchasers with self-accrual authority pursuant to s. 212.183 are not required to provide an affidavit but shall maintain all documentation necessary to prove the exempt status of purchases.
5. The department may adopt rules to implement the exemptions in this paragraph.

### Section 2: Description of Data and Sources

Stromsta, K.-E. (2020, July 24). *NextEra Energy to build its first green hydrogen plant in Florida*. Greentech Media. Retrieved January 27, 2022, from <https://www.greentechmedia.com/articles/read/nextera-energy-to-build-its-first-green-hydrogen-plant-in-florida>

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

Then changes being made to Paragraph 212.08 (5)(c) F.S., and Paragraph 212.08 (7)(b) F.S. are largely redundant regarding the current state of electrical generation in the market today. Hydrogen is a minor fuel source used as an adjunct to other types of boiler fuels not as a complete replacement. If hydrogen fuel use remains below 15% of the non-residual fuel, then the use of the hydrogen fuel would not affect the exemption as currently written. Insofar as a boiler/generator assembly may use more than one fuel it would be difficult to determine at the time of sale what the intended fuel use would be. If a taxpayer asked for a determination of taxation under the current law and disclosed that their intended use was to fuel their boiler with a fuel type not listed as a boiler fuel the Department would advise them that the tax should be remitted.

The addition of the new paragraph 212.08 (7)(ppp) F.S., is largely duplicative of the currently extant 212.08 (7)(jjj) F.S. Hydrogen fuel manufacturing is under NAICS code **325120 Industrial Gas Manufacturing**. Any business primarily engaged in manufacturing of hydrogen gas should already be covered by 212.08 (7)(jjj) F.S.

The new paragraph that is being added does include fuel cells which the department believes could be covered under either of the above reference sections of current law. Either as an integrated system of electrical generation or as a subprocess of another manufacturing process. It is assumed that the amount added for additional investment in these projects also captures some variance in practice that would somehow not otherwise qualify for current exemptions.

Given that it appears that most, if not all, of the changes are being made to exempt purchases of equipment that does not currently exist in large measure, or is already exempt under current law, current administration, the middle estimate is presented as negative indeterminate. There may be some future administration that would consider these items taxable but for the changes being made under the proposed bill.

We have prepared a high and low estimate reflecting the limited amount of information available currently on this issue. The basis for the high and low impact is from information provided by a press release for an upcoming project utilizing Hydrogen generated power. The analysis was formulated using the stated estimate of \$65m for the project. It is assumed that half of the cost

**REVENUE ESTIMATING CONFERENCE**

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is due to labor and that the window for completion will be between 2026 and 2030. The Low in this impact assumes that the completion data will be 2030 while the High assumes a much faster timeline of 2026.

The calendar year cost of the project is shared out evenly over the assumed timeframe in the low and the high. As a reflection of the relative newness of this technology high impact assumes that additional spending of 2% will occur due to other projects during this time frame. The low assumes 1% of additional spending on other projects.

It is assumed that there will be a 10%/90% split between the retrofitting old equipment and the production and installation of green hydrogen generation. The impact applies the split and the 6% sales tax.

The effective date of the bill is July 1, 2022, however the press release used for the high and low estimates comes from March of 2021, and we are assuming the spending has already begun. Therefore, the cash and recurring amounts are equal in all years.

**Section 4: Proposed Fiscal Impact**

(in dollars)

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2022-23	\$(409,814)	\$(409,814)	(**)	(**)	\$(199,914)	\$(199,914)
2023-24	\$(418,010)	\$(418,010)	(**)	(**)	\$(201,913)	\$(201,913)
2024-25	\$(426,370)	\$(426,370)	(**)	(**)	\$(203,932)	\$(203,932)
2025-26	\$(219,602)	\$(219,602)	(**)	(**)	\$(205,972)	\$(205,972)
2026-27	\$(8,698)	\$(8,698)	(**)	(**)	\$(208,031)	\$(208,031)

**List of affected Trust Funds:**

Sales and Use Tax

**Section 5: Consensus Estimate (Adopted: 01/28//2022): The Conference adopted the low estimate.**

	GR		Trust		Revenue Sharing		Local Half Cent	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2022-23	(0.2)	(0.2)	(Insignificant)	(Insignificant)	(Insignificant)	(Insignificant)	(Insignificant)	(Insignificant)
2023-24	(0.2)	(0.2)	(Insignificant)	(Insignificant)	(Insignificant)	(Insignificant)	(Insignificant)	(Insignificant)
2024-25	(0.2)	(0.2)	(Insignificant)	(Insignificant)	(Insignificant)	(Insignificant)	(Insignificant)	(Insignificant)
2025-26	(0.2)	(0.2)	(Insignificant)	(Insignificant)	(Insignificant)	(Insignificant)	(Insignificant)	(Insignificant)
2026-27	(0.2)	(0.2)	(Insignificant)	(Insignificant)	(Insignificant)	(Insignificant)	(Insignificant)	(Insignificant)

	Local Option		Total Local		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2022-23	(Insignificant)	(Insignificant)	(0.1)	(0.1)	(0.3)	(0.3)
2023-24	(Insignificant)	(Insignificant)	(0.1)	(0.1)	(0.3)	(0.3)
2024-25	(Insignificant)	(Insignificant)	(0.1)	(0.1)	(0.3)	(0.3)
2025-26	(Insignificant)	(Insignificant)	(0.1)	(0.1)	(0.3)	(0.3)
2026-27	(Insignificant)	(Insignificant)	(0.1)	(0.1)	(0.3)	(0.3)

HB1163: Sales Tax Exemptions for Hydrogen Products

	A	B	C	D	E	F	G
1							
2	<b>NextEra Investment</b>						
3			\$65,000,000				
4							
5	<b>% Labor</b>						
6			50%				
7							
8	<b>\$ Purchase of Machinery or Equipment</b>						
9			\$32,500,000				
10							
11	<b>Estimated Completion</b>						
12		<b>Low</b>	<b>Middle</b>	<b>High</b>			
13		2030	**	2026			
14							
15							
16	<b>NextEra Investment Schedule</b>						
17		<b>Low</b>	<b>Middle</b>	<b>High</b>			
18	2021	\$3,250,000	**	\$6,500,000			
19	2022	\$3,250,000	**	\$6,500,000			
20	2023	\$3,250,000	**	\$6,500,000			
21	2024	\$3,250,000	**	\$6,500,000			
22	2025	\$3,250,000	**	\$6,500,000			
23	2026	\$3,250,000	**	\$0			
24	2027	\$3,250,000	**	\$0			
25	2028	\$3,250,000	**	\$0			
26	2029	\$3,250,000	**	\$0			
27	2030	\$3,250,000	**	\$0			
28							
29	<b>Additional Per Year</b>						
30		<b>Low</b>	<b>Middle</b>	<b>High</b>			
31		1%		2%			
32							
33		<b>Low</b>	<b>Middle</b>	<b>High</b>			
34	2021	\$3,282,500	**	\$6,630,000			
35	2022	\$3,315,325	**	\$6,762,600			
36	2023	\$3,348,478	**	\$6,897,852			
37	2024	\$3,381,963	**	\$7,035,809			
38	2025	\$3,415,783	**	\$7,176,525			
39	2026	\$3,449,940	**	\$143,531			
40	2027	\$3,484,440	**	\$146,401			
41	2028	\$3,519,284	**	\$149,329			
42	2029	\$3,554,477	**	\$152,316			
43	2030	\$3,590,022	**	\$155,362			
44							

HB1163: Sales Tax Exemptions for Hydrogen Products

	A	B	C	D	E	F	G
45							
46	<b>Split between (5)(c) and (7)(b)</b>						
47		(5)(c)	10%	Retrofitting Old Equipment			
48		(7)(b)	90%	Green Hydrogen			
49							
50	<b>Sales Tax</b>						
51			6%				
52							
53	Calendar Year Impact						
54		Low		Middle		High	
55		Cash	Recurring	Cash	Recurring	Cash	Recurring
56	2022	\$ (198,920)	\$ (198,920)	(**)	(**)	\$ (405,756)	\$ (405,756)
57	2023	\$ (200,909)	\$ (200,909)	(**)	(**)	\$ (413,871)	\$ (413,871)
58	2024	\$ (202,918)	\$ (202,918)	(**)	(**)	\$ (422,149)	\$ (422,149)
59	2025	\$ (204,947)	\$ (204,947)	(**)	(**)	\$ (430,592)	\$ (430,592)
60	2026	\$ (206,996)	\$ (206,996)	(**)	(**)	\$ (8,612)	\$ (8,612)
61	2027	\$ (209,066)	\$ (209,066)	(**)	(**)	\$ (8,784)	\$ (8,784)
62							
63	Fiscal year Impact						
64		Low		Middle		High	
65		Cash	Recurring	Cash	Recurring	Cash	Recurring
66	2022-23	\$ (199,914)	\$ (199,914)	(**)	(**)	\$ (409,814)	\$ (409,814)
67	2023-24	\$ (201,913)	\$ (201,913)	(**)	(**)	\$ (418,010)	\$ (418,010)
68	2024-25	\$ (203,932)	\$ (203,932)	(**)	(**)	\$ (426,370)	\$ (426,370)
69	2025-26	\$ (205,972)	\$ (205,972)	(**)	(**)	\$ (219,602)	\$ (219,602)
70	2026-27	\$ (208,031)	\$ (208,031)	(**)	(**)	\$ (8,698)	\$ (8,698)