

REVENUE ESTIMATING CONFERENCE

Tax: Sales and Use Tax

Issue: School Sales Tax Holiday, 10 Days, \$60 Clothing/\$15 Supplies/\$1,000 or less Computers

Bill Number(s): SB 500

Entire Bill

Partial Bill:

Sponsor(s): Senator Perry

Month/Year Impact Begins: The sales tax holiday will affect July and August 2022 activity and, subsequently, August and September collections.

Date of Analysis: December 10, 2021

Section 1: Narrative

a. Current Law:

Under current law in Ch. 212, F.S., clothing, school supplies, and computers and related accessories are subject to the 6% Sales and Use Tax.

b. Proposed Change:

Duration: The sales tax holiday is proposed for a 10-day period beginning on July 29 through August 7, 2022.

Clothing: The bill exempts sales of “clothing, wallets, or bags, including handbags, backpacks, fanny packs, and diaper bags, but excluding briefcases, suitcases, and other garment bags” from the Sales and Use Tax as long as the sales price of the item does not exceed \$60. Clothing is defined as “any article of wearing apparel intended to be worn on or about the human body, excluding watches, watchbands, jewelry, umbrellas, and handkerchiefs,” and including all footwear except for “skis, swim fins, roller blades, and skates.”

School Supplies: During this same period, sales of school supplies having a sales price of \$15 or less per item are exempt from the Sales and Use Tax. School supplies are defined as “pens, pencils, erasers, crayons, notebooks, notebook filler paper, legal pads, binders, lunch boxes, construction paper, markers, folders, poster board, composition books, poster paper, scissors, cellophane tape, glue or paste, rulers, computer disks, staplers and staples used to secure paper products, protractors, compasses, and calculators.”

Computers: Also exempt is the sales price of personal computers or personal computer-related accessories selling for \$1,000 or less, purchased for noncommercial home or personal use. Exempted items include “electronic book readers, laptops, desktops, handhelds, tablets, and tower computers” and related accessories including “keyboards, mice, personal digital assistants, monitors (not including devices with a television tuner), other peripheral devices, modems, routers, and nonrecreational software, regardless of whether the accessories are used in association with a personal computer base unit.” The exemption does not apply to “cellular telephones, video game consoles, digital media receivers, or devices that are not primarily designed to process data.” Related accessories do not include “furniture or systems, devices, software, monitors with a television tuner, or peripherals designed or intended primarily for recreational use.”

The tax exemptions do not apply to sales within a theme park or entertainment complex, within a public lodging establishment, or within an airport.

The bill allows a dealer to “opt out” of the sales tax holiday if “less than five percent of the dealer’s gross sales of tangible personal property in the prior calendar year are comprised of items that would be exempt” under the legislation. If the qualifying dealer chooses not to participate in the tax holiday, the dealer must notify the Department of Revenue in writing and post a copy of that notice in a conspicuous location at the place of business.

Section 2: Description of Data and Sources

- Impact for Proposed Language - Governor, School Sales Tax Holiday, 8 Days, \$60 Clothing/\$15 Supplies/\$1,000 or Less Computers, Revenue Estimating Impact Conference, 4/16/2021, <http://edr.state.fl.us/Content/conferences/revenueimpact/archives/2021/pdf/page410-416.pdf>.
- Clothing and Shoes expenditures forecast, July 2021 National Economic Estimating Conference.
- Consumer Computer expenditures forecast, July 2021 National Economic Estimating Conference.
- U.S. Population (total and 65+), 3rd Quarter estimates, July 2021 National Economic Estimating Conference.
- Florida Population (total and 65+), 3rd Quarter estimates, March 2021 Demographic Estimating Conference.
- Estimates of Florida public school enrollment, August 2021 K-12 Enrollment Estimating Conference.

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- Estimates of Florida private school enrollment, Private School Annual Report 2020-2021 (Florida Department of Education). Available at <http://www.fldoe.org/schools/school-choice/private-schools/annual-reports.stml>.
- Estimates of Florida public and private college/university fall enrollment, Integrated Postsecondary Education Data System (National Center for Education Statistics). Available at www.nces.ed.gov/ipeds. Estimates include Florida College System institutions, State Universities, career centers, and private institutions eligible to participate in the EASE or ABLE tuition assistance programs. Last accessed 12/1/2021.
- Tax collections by kind code, FY 2019-20, FY 2020-21, Form 10, Florida Department of Revenue.
- Department of Revenue. 2021 Back-to-School Sales Tax Holiday Tax Information Publication (TIP). Available at: https://revenue.floridarevenue.com/LawLibraryDocuments/2020/06/TIP-123084_TIP_20A01-04_FINAL_RLL.pdf.
- National Conference of State Legislatures, Back to School, Back to Sales Tax Holidays, Jackson Brainerd, August 31, 2021, <https://www.ncsl.org/research/fiscal-policy/back-to-school-back-to-sales-tax-holidays.aspx>.

Section 3: Methodology (Include Assumptions and Attach Details)

NOTE: *The methodology below offers some incremental modifications to the one used in prior Back-to-School Sales Tax Holidays. Impacts in this analysis are not directly comparable to prior estimates. Methodology changes are highlighted in red below.*

This analysis does not include the impact of dealer opt-outs in the estimates.

Clothing/Shoes/Backpacks: Florida expenditures for clothing and shoes are derived from total national expenditures for clothing and shoes using Florida population (adjusted for ages 65+). **The adjustment for an assumed percentage of non-taxed mail order items is discontinued since all such items, if taxable, should now be taxed per SB 50 – 2021 Session.** The total Florida expenditures are converted to a 10-day amount and assume that **60% of the expenditures would be under the \$60 limit. The exempted amount percentage was reduced to 60% from 71% since the \$60 limit has not been revised since 2016.** Adjusting the \$60 for inflation using the US Bureau of Labor Statistics Calculator is equivalent to \$68.90 in October 2021 dollars, an almost 15% increase. According to the National Conference of State Legislatures, Back-to-School sales tax holidays across the country have the following exemption limits: “usually about \$100 for clothing, \$20 to \$50 for school supplies and \$1,000 for computers.” Backpacks are assumed to be included in the apparel category. The level of daily spending is derived from the annual spending. An advantage buy factor of 1.25 assumes that some additional days of sales are pulled into the tax holiday period as taxpayers outside of the target group take advantage of the tax-exempt days.

School Supplies: For school supplies (including staplers), an amount of expenditures is assumed per student, by grade level, for 10 days. **This amount was adjusted for price inflation by raising the expenditures by \$2 for each grade.** The per student expenditure is multiplied by the estimated number of students enrolled in public or private elementary and secondary schools, Florida Colleges, State Universities, public technical colleges/career centers, and private colleges/universities. The estimated total expenditure by students is increased for advantage business spending **by 10%, down from the prior method’s 25%.** It is assumed that **60% of expenditures would be under the \$15 limit. The exempted amount percentage was reduced to 60% from 75% since the \$15 limit has not been revised since 2011.** Adjusting the \$15 for inflation using the US Bureau of Labor Statistics Calculator is equivalent to \$18.31 in October 2021 dollars, a 22% increase. According to the National Conference of State Legislatures, Back-to-School sales tax holidays across the country have the following exemption limits: “usually about... \$20 to \$50 for school supplies.”

Computers: Florida expenditures are derived from total national expenditures for computers and peripherals using Florida population. **In addition to hardware expenditures, expenditures for computer software and accessories and for calculators are added. Since only certain modes of software sales are subject to sales tax (if the software is purchased in a Florida store), only a share of expenditures on software are included.** The adjustment for an assumed percentage of non-taxed mail order items is discontinued since all such items, if taxable, should now be taxed per SB 50 – 2021 Session. The total Florida annual expenditures are converted to daily expenditures. An adjustment is made for the percentage of total expenditures assumed to be exempt (=55%). **An advantage buy factor of 25% is added.**

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According to the National retail federation, electronics represent 42 to 49% of combined expenditures on apparel and electronics.

Top Spending Categories for Families with Students

| Back to school | Electronics | Clothing | Shoes | Electronics Share |
|-----------------|-------------|----------|--------|-------------------|
| 2020 | 274.44 | 234.48 | 149.2 | 42% |
| 2021 | 295.65 | 253.46 | 161.04 | 42% |
| | | | | |
| Back to college | Electronics | Clothing | Shoes | Electronics Share |
| 2020 | 261.52 | 129.76 | 148.37 | 48% |
| 2021 | 306.41 | 164.38 | 158.98 | 49% |

Source: National Retail Federation, 2021 Brings Back-to-Class Shopping to Record Levels, NRF's Annual 2021 Back-to-School/College Survey, conducted by Prosper Insights & Analytics.

Section 4: Proposed Fiscal Impact: The impact is nonrecurring for FY 2022-23 only.

| 2022-23 | High | | Middle | | Low | |
|--------------------------|------|-----------|-----------------|-----------|------|-----------|
| | Cash | Recurring | Cash | Recurring | Cash | Recurring |
| Clothing/Shoes/Backpacks | | | (36.3 M) | | | |
| School Supplies | | | (6.9 M) | | | |
| Computers | | | (5.7 M) | | | |
| Total | | | (48.9 M) | | | |

List of affected Trust Funds: Sales and Use Tax Grouping

Section 5: Consensus Estimate (Adopted: 12/10/2021) The Conference adopted the proposed estimate.

| | GR | | Trust | | Revenue Sharing | | Local Half Cent | |
|---------|--------|-----------|-----------------|-----------|-----------------|-----------|-----------------|-----------|
| | Cash | Recurring | Cash | Recurring | Cash | Recurring | Cash | Recurring |
| 2022-23 | (43.3) | 0.0 | (Insignificant) | 0.0 | (1.5) | 0.0 | (4.2) | 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 | (7.2) | 0.0 | (12.8) | 0.0 | (56.1) | 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 |

| | B | C | D | F | G | H |
|----|---|---|---|---|------------------|---|
| 2 | | | | | | |
| 3 | | Proposed Language | | | | |
| 4 | | Sales Tax Holiday - Clothing, School Supplies, Computers | | | | |
| 5 | | | | | | |
| 6 | | 10 Days, July 29 - August 7, 2022 | | | (NONRECURRING) | |
| 7 | | | | | | |
| 9 | | 2022-23 | | | | |
| 10 | | Expenditure Type | | | PROPOSED | |
| 11 | 1 | Clothing & Shoes - \$60 or Less | | | \$ (36.3) | |
| 12 | 2 | School Supplies - \$15 or Less | | | \$ (6.9) | |
| 13 | 3 | Personal Computers and Related Accessories - \$1,000 or Less | | | \$ (5.7) | |
| 14 | 4 | Total Impact | | | \$ (48.9) | |
| 15 | | <i>*Estimates in millions of dollars</i> | | | | |
| 16 | | | | | | |

| | A | B | E | F | G |
|----|----|---|--|---|-----------------|
| 2 | | Proposed Language | 10 Days, July 29 - August 7, 2022 | | |
| 3 | | SALES TAX HOLIDAY - CLOTHING | \$60 Limit | | |
| 4 | | | | | |
| 5 | | | | | |
| 6 | | 2022-23 | | | Adopted |
| 7 | 1 | National Personal Expenditure on Clothing and Shoes (Mln. \$) | | | 458,714.0 |
| 8 | | | | | |
| 9 | 2 | Florida Share based on Population Forecast (Mln. \$) | | | 30,776.0 |
| 10 | | | | | |
| 11 | 3 | Florida Expenditures on Apparel & Shoes (adjusted for 65+) | | | 29,459.8 |
| 12 | | | | | |
| 13 | | | | | |
| 14 | | | | | |
| 15 | 4 | Sales Tax at 6% | | | 1,767.6 |
| 16 | | | | | |
| 17 | 5 | Exempted Amount | | | 1,060.6 |
| 18 | | Assumption | 60% | | 60.0% |
| 19 | | | | | |
| 20 | 6 | Preliminary Per Day Fiscal Impact in Florida | 1 | | (2.9) |
| 21 | | | | | |
| 22 | 7 | Number of Days in the Holiday | 10.0 | | (29.1) |
| 23 | | | | | |
| 24 | 8 | Advantage Buying | | | 1.25 |
| 25 | | | | | |
| 26 | 9 | Adjusted 10-day Fiscal Impact in Florida | | | (36.3) |
| 27 | | | | | |
| 28 | | | | | |
| 29 | 10 | Total Impact | | | (\$36.3) |
| 30 | | | | | |
| 31 | | | | | |

| | A | B | C | D | E | F |
|----|-----|--|-------------------------------------|--|---|-------------------------------|
| 1 | | | | | | |
| 2 | | Proposed Language | | 10 Days, July 29 - August 7, 2022 | | |
| 3 | | SALES TAX HOLIDAY - SCHOOL SUPPLIES (Incl Staplers, Flash Drives) | | | | \$15 Limit |
| 19 | | | | | | |
| 20 | | 2022-23 | | | | |
| | | | | | | |
| 22 | Row | Grade Level | Expenditures per Student | Number of Students | | Total Expenditures |
| 23 | 1 | PreK | 22.00 | 58,970 | | 1.3 |
| 24 | 2 | KG | 22.00 | 261,981 | | 5.8 |
| 25 | 3 | 1 | 22.00 | 276,755 | | 6.1 |
| 26 | 4 | 2 | 22.00 | 240,521 | | 5.3 |
| 27 | 5 | 3 | 27.00 | 257,451 | | 7.0 |
| 28 | 6 | 4 | 29.00 | 241,510 | | 7.0 |
| 29 | 7 | 5 | 29.00 | 239,161 | | 6.9 |
| 30 | 8 | 6 | 34.00 | 259,099 | | 8.8 |
| 31 | 9 | 7 | 34.00 | 253,288 | | 8.6 |
| 32 | 10 | 8 | 34.00 | 261,856 | | 8.9 |
| 33 | 11 | 9 | 37.00 | 274,028 | | 10.1 |
| 34 | 12 | 10 | 37.00 | 262,645 | | 9.7 |
| 35 | 13 | 11 | 37.00 | 244,866 | | 9.1 |
| 36 | 14 | 12 | 37.00 | 228,385 | | 8.5 |
| 37 | 15 | Total PK-12 | | 3,360,518 | | 103.0 |
| 38 | 16 | Total HigherEd | 38.00 | 1,095,252 | | 41.6 |
| 39 | 17 | Total All Students | | 4,455,770 | | 144.6 |
| 40 | | | | | | |
| 41 | 18 | Advantage Buying by Business, General Public | | | | |
| 42 | 19 | 10% Factor + 10% for Expanded List | | | | 28.9 |
| 43 | | | | | | 10% + 10% |
| 44 | 20 | School Supplies | | | | Adopted |
| 45 | 21 | Total Sales Tax for 10 Days | | | | (6.9) |
| 46 | | Assumption: share of items under price limit | 60% | | | 60.0% |
| 47 | | | | | | |
| 48 | 22 | Total Impact | | | | (\$6.9) |

| | A | B | C | D | E |
|----|----|--|------------|---|---|
| 2 | | Proposed Language | | | 0 Days, July 29 - August 7, 2022 |
| 3 | | SALES TAX HOLIDAY - COMPUTERS | | | \$1,000 or Less |
| 4 | | | | | |
| 5 | | | | | |
| 6 | | 2022-23 | | | Adopted |
| 7 | | National Information Processing Equipment - Annual Expenditures | | | |
| 8 | 1 | <i>Computers & Peripheral Equipment</i> | | | 69,154.2 |
| 9 | 2 | <i>Computer Software & Accessories</i> | 5% | | 6,225.2 |
| 11 | 3 | Total | | | 75,379.4 |
| 12 | | <i>IBIS World Industry Report 44312, Computer Stores in the US, estimates that 61.5% of computer store revenues come from sales come from sales of software.</i> | | | |
| 14 | | | | | |
| 15 | 4 | Florida Share based on Population Forecast | | | 5,057.4 |
| 16 | | | | | |
| 17 | | | | | |
| 18 | | | | | |
| 19 | | | | | |
| 20 | | | | | |
| 21 | 5 | Annual Sales Tax at 6% | | | 303.4 |
| 22 | | | | | |
| 28 | 6 | Exempted Amount based on Purchase Price | | | 166.9 |
| 29 | | \$1000 or Less | | | 55.0% |
| 30 | | | | | |
| 31 | | | | | |
| 32 | 7 | Preliminary Per Day Fiscal Impact in Florida | | | 0.46 |
| 33 | | | | | |
| 35 | 8 | 10-Day Holiday | | | 4.6 |
| 37 | | | | | |
| 38 | 9 | Advantage Buying by Business, General Public | | | 25.0% |
| 39 | | | | | 5.7 |
| 40 | | | | | |
| 41 | 10 | Total Impact | | | (\$5.7) |
| 42 | | | | | |
| 43 | | Computers Exemption Key | | | |
| 44 | | First \$1000 | 65% | | |
| 45 | | First \$750 | 60% | | |
| 46 | | \$1000 or Less | 55% | | |
| 47 | | \$750 or Less | 45% | | |
| 48 | | | | | |
| 49 | | | | | |
| 50 | | | | | |
| 51 | | | | | |
| 52 | | | | | |

REVENUE ESTIMATING CONFERENCE

Tax: Sales and Use Tax

Issue: Mobile Homes Sales Tax

Bill Number(s) HB 509 - Proposed Amendment

Entire Bill

Partial Bill:

Sponsor(s): House Ways & Means Committee

Month/Year Impact Begins: July 1, 2022

Date of Analysis: December 10, 2021

Section 1: Narrative

a. Current Law:

Under current law in Ch. 212, F.S., mobile home sales, delivery, and installation are subject to the 6 percent Sales and Use Tax. Delivery and installation are required with the purchase.

- b. Proposed Change:** The proposed amendment assesses sales tax at the rate of three percent of the sales price on the sale of a new mobile home. The proposed amendment defines the term “new mobile home” as having the same meaning as in s. 319.001, which states: ““New mobile home” means a mobile home the equitable or legal title to which has never been transferred by a manufacturer, distributor, importer, or dealer to an ultimate purchaser.”

Section 2: Description of Data and Sources

- Revenue Estimating Conference on Proposed Language dated 3/6/2020, http://edr.state.fl.us/Content/conferences/revenueimpact/archives/2020/_pdf/page568-570.pdf
- Revenue Estimating Conference on CS/SB 818 dated 2/7/2020, http://edr.state.fl.us/Content/conferences/revenueimpact/archives/2020/_pdf/page329-336.pdf.
- 2021 Manufactured Housing Facts: Industry Overview published May 2021 by the Manufactured Housing Institute, <https://www.manufacturedhousing.org/wp-content/uploads/2021/05/2021-MHI-Quick-Facts-updated-05-2021.pdf>, last accessed 11/18/2021.
- Manufactured Home Shipments & Product Mix by State, 1990-2020, Manufactured Housing Institute, <https://www.manufacturedhousing.org/wp-content/uploads/2020/05/1-UPDATED-MH-Monthly-Shipments-1976-2019.pdf>.
- US Census Bureau, Manufactured Housing Survey, Manufactured Housing Units, Annual Shipments to States: 1994 - 2021.
- US Census Bureau, Manufactured Housing Survey (MHS), Average Sales Price of New Manufactured Homes Sold or Intended for Sale by Size of Home by State.
- US Census Bureau, Manufactured Housing Survey, Selected Characteristics of New Manufactured Homes Sold and for Residential Use by Size of Home and Region 2014 - 2020, South Region.

Section 3: Methodology (Include Assumptions and Attach Details)

The analysis uses the adopted methodology from the Revenue Estimating Conference on Proposed Language dated 3/6/2020 (Method II from the analyses presented at prior conferences) with one modification.

Florida Statutes (2021) define manufactured homes as mobile homes built to HUD code as described below.

“320.01(2)(a) “Mobile home” means a structure, transportable in one or more sections, which is 8 body feet or more in width and which is built on an integral chassis and designed to be used as a dwelling when connected to the required utilities and includes the plumbing, heating, air-conditioning, and electrical systems contained therein. For tax purposes, the length of a mobile home is the distance from the exterior of the wall nearest to the drawbar and coupling mechanism to the exterior of the wall at the opposite end of the home where such walls enclose living or other interior space. Such distance includes expandable rooms, but excludes bay windows, porches, drawbars, couplings, hitches, wall and roof extensions, or other attachments that do not enclose interior space. In the event that the mobile home owner has no proof of the length of the drawbar, coupling, or hitch, then the tax collector may in his or her discretion either inspect the home to determine the actual length or may assume 4 feet to be the length of the drawbar, coupling, or hitch.

(b) “Manufactured home” means a mobile home fabricated on or after June 15, 1976, in an offsite manufacturing facility for installation or assembly at the building site, with each section bearing a seal certifying that it is built in compliance with the federal Manufactured Home Construction and Safety Standard Act.”

The US Department of Housing and Urban Development defines manufactured homes as factory-built housing with the following characteristics.

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Issue: Mobile Homes Sales Tax

Bill Number(s) HB 509 - Proposed Amendment

“Manufactured homes, also known as HUD Code homes, are built in a factory to the federal building code (HUD Code) and have a permanent chassis on which they can be transported. Manufactured homes, when sited, may be placed on a foundation that meets conventional lending requirements. Factory-built housing falls under four general types: manufactured, modular, panelized, and precut.”

The Census Manufactured Housing Survey, conducted on behalf of USDHUD, includes **only** new manufactured homes that have received a Federal inspection (i.e., HUD-code homes). The statistics on shipments of new manufactured homes are produced by the Institute for Building Technology and Safety (IBTS) and published by the Manufactured Housing Institute (MHI).

The universe of the Census survey is interpreted to be identical to the definition of manufactured homes in Florida Statutes. Therefore, the analysis below uses the Census data as a starting point in the analysis. In addition, this analysis assumes manufactured homes to be deemed tangible personal property sold through a retail dealer but modular, panelized, and precut homes to be deemed real property since the latter type is site-built and typically finished by a builder or contractor (not sold through a retail network) and subject to local building code.

Method II takes shipments of new single-section and multi-section manufactured homes for Florida for calendar years 2019 and 2020 from the Manufactured Housing Institute’s 2021 annual report, which are sourced from the US Census Bureau’s Manufactured Housing Survey to produce a FY estimate. It is assumed that shipments of new homes equal sales. Shipments data reflect units sold better than administrative counts of titles because each section of a mobile home is required to have a title and a registration under Florida law and each section of a mobile home gets a Real Property sticker. For example, a buyer of a double-section mobile home must pay for two titles and two registrations. Administrative data will record each section of the multi-section mobile home as a new title, resulting in over counting of the number of homes sold if it is assumed that each title or registration represents a home.

The proposed amendment governs sales of new mobile homes only. Current law exempts mobile home sales for resale, for example when the units will be rented out. An estimate of units currently exempt from sales tax is developed using the percentage of new mobile homes placed inside mobile home communities (US Census Bureau). The remainder represents an estimate of new annual sales currently subject to sales tax. This step is a modification of the previously used Method II.

The average price is from the US Census Manufactured Housing Survey. The price was assumed to remain constant over the five years of the impact.

Mobile home sales are grown by the growth rate of titles from the prior impact analysis (3/6/2020, which uses the January 2020 REC). No adjustment was made to the growth rate of titles to account for potentially changing composition of single-section versus multi-section homes. To illustrate, if in year 1 there were 100 sales of single-section mobile homes then there would be 100 titles issued. If in year 2 there were 100 sales of double-section mobile homes, then there would be 200 titles issued. The growth in sales equals zero but the growth in titles issued equals 100%.

Delivery and installation: Delivery and installation charges vary depending on the size and type of home. Delivery may be included in the sales price. DMHSMV requires a licensed installer and delivery company to be used. Internet search suggests that delivery might be between \$2,000 and \$5,000 and installation might be between \$1,000 and \$5,000. A mobile home sold in Florida must meet the wind zone requirements of the local government. This analysis does not estimate sales tax on delivery and installation separately. The delivery and installation will also be subject to the rate reduction as per s. 212.02(16), F.S.

The new units sold outside of mobile home parks in Florida multiplied by the average price per unit produced an estimate of sales for each year of the forecast. The proposed amendment imposes a three percent sales tax instead of the current six percent sales tax on the sales price of new units.

Section 4: Proposed Fiscal Impact:

The proposed impact has 11 months of impact for the first fiscal year (2022-23).

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Issue: Mobile Homes Sales Tax

Bill Number(s) HB 509 - Proposed Amendment

| | High | | Middle | | Low | |
|---------|------|-----------|--------|-----------|------|-----------|
| | Cash | Recurring | Cash | Recurring | Cash | Recurring |
| 2022-23 | | | (9.9) | (10.8) | | |
| 2023-24 | | | (10.8) | (10.8) | | |
| 2024-25 | | | (10.9) | (10.9) | | |
| 2025-26 | | | (11.1) | (11.1) | | |
| 2026-27 | | | (11.2) | (11.2) | | |

List of affected Trust Funds: Sales and Use Tax Grouping

Section 5: Consensus Estimate (Adopted: 12/10/2021) The Conference adopted the middle estimate with a “Sold and Placed Units” adjustment of 100%.

| | GR | | Trust | | Revenue Sharing | | Local Half Cent | |
|---------|--------|-----------|-----------------|-----------------|-----------------|-----------|-----------------|-----------|
| | Cash | Recurring | Cash | Recurring | Cash | Recurring | Cash | Recurring |
| 2022-23 | (14.0) | (15.2) | (Insignificant) | (Insignificant) | (0.5) | (0.5) | (1.3) | (1.5) |
| 2023-24 | (15.3) | (15.3) | (Insignificant) | (Insignificant) | (0.5) | (0.5) | (1.5) | (1.5) |
| 2024-25 | (15.5) | (15.5) | (Insignificant) | (Insignificant) | (0.5) | (0.5) | (1.5) | (1.5) |
| 2025-26 | (15.6) | (15.6) | (Insignificant) | (Insignificant) | (0.5) | (0.5) | (1.5) | (1.5) |
| 2026-27 | (15.8) | (15.8) | (Insignificant) | (Insignificant) | (0.5) | (0.5) | (1.5) | (1.5) |

| | Local Option | | Total Local | | Total | |
|---------|--------------|-----------|-------------|-----------|--------|-----------|
| | Cash | Recurring | Cash | Recurring | Cash | Recurring |
| 2022-23 | 0.0 | 0.0 | (1.8) | (2.0) | (15.8) | (17.2) |
| 2023-24 | 0.0 | 0.0 | (2.0) | (2.0) | (17.3) | (17.3) |
| 2024-25 | 0.0 | 0.0 | (2.0) | (2.0) | (17.5) | (17.5) |
| 2025-26 | 0.0 | 0.0 | (2.0) | (2.0) | (17.6) | (17.6) |
| 2026-27 | 0.0 | 0.0 | (2.0) | (2.0) | (17.8) | (17.8) |

| | A | B | C | D | E | F | G |
|----|---|---------------|--------------|--------------|---|-------------|---|
| 1 | HB 509 - Proposed Amendment - Sales Tax on Mobile Home Sales | | | | | | |
| 2 | 12/10/2021 | | | | | | |
| 3 | | | | | | | |
| 4 | | | | | | | |
| 5 | Method II | | | | | | |
| 6 | Manufactured Housing Institute Data & Census Manufactured Housing Survey | | | | | | |
| 7 | 1. Sales of NEW mobile homes by type and total. | | | | | | |
| 8 | Florida NEW Single Section and Multi Section Manufactured Home Shipments | | | | | | |
| 9 | | Single | Multi | Total | | | |
| 10 | CY 2019 | 2,400 | 5,419 | 7,819 | | | |
| 11 | CY 2020 | 1,972 | 4,709 | 6,681 | | | |
| 12 | FY 2019-20 | 2,186 | 5,064 | 7,250 | | | |
| 13 | Sources: Manufactured Home Shipments & Product Mix by State, 1990-2020, Manufactured Housing Institute. US Census Bureau, Manufactured Housing Survey, Manufactured Housing Units, Annual Shipments to States: 1994 - 2021. | | | | | | |
| 14 | | | | | | | |
| 15 | 2. Share of MH placed inside MH communities as a proxy for rental units. | | | | | | |
| 16 | Manufactured homes placed inside manufactured home communities (South) | | | | | 14% | |
| 17 | Source: US Census Bureau, Manufactured Housing Survey, Selected Characteristics of New Manufactured Homes Sold and for Residential Use by Size of Home and Region 2014 - 2020, data for South Region. | | | | | | |
| 18 | | | | | | | |
| 19 | | | | | | | |
| 20 | New units NOT SUBJECT to sales tax currently (sale for resale). Assumes all units inside manufactured home community were purchased to be rented out. | | | 1,008 | | | |
| 21 | Mobile home units subject to sales tax currently | | | 6,242 | | | |
| 22 | | | | | | | |
| 23 | 3. Adjustment for sold & placed units. | | | 6,242 | | 1.00 | |
| 24 | | | | | | | |
| 25 | 3. Average sales price of MH. | | | | | | |
| 26 | Average sale price of a new mobile home: | | | \$ 89,200 | | | |
| 27 | Source: US Census Bureau, Manufactured Housing Survey (MHS), Average Sales Price of New Manufactured Homes Sold or Intended for Sale by Size of Home by State. Excludes sales tax. | | | | | | |

| | A | B | C | D | E | F | G |
|----|---|---|--|----------------------------------|--|---|---|
| 28 | | | | | | | |
| 29 | | | | | | | |
| 30 | | | | | | | |
| 31 | 4. REC Titles Revenue Growth Rates Forecast (Used the 2020 forecast used in the prior bill analysis). | | | | | | |
| 32 | | 1/7/20 REC Titles Revenue Growth Rates | 7/29/21 REC Titles Revenue Growth Rates | | | | |
| 33 | FY 2020-21 | 1.61% | 14.69% | | | | |
| 34 | FY 2021-22 | 0.44% | -3.64% | | | | |
| 35 | FY 2022-23 | 0.76% | 0.94% | | | | |
| 36 | FY 2023-24 | 0.65% | -0.21% | | | | |
| 37 | FY 2024-25 | 0.96% | -0.55% | | | | |
| 38 | FY 2025-26 | 0.97% | 0.54% | | | | |
| 39 | FY 2026-27 | 1.06% | 0.78% | | | | |
| 40 | | | | | | | |
| 41 | 5. Apply 1/7/20 REC Titles growth rates to estimate NEW UNITS sold. Use average sales price from above. | | | | | | |
| 42 | | | | | | | |
| 43 | | | | | | | |
| 44 | | Current Law (6%) | Current Law (6%) | Current Law (6%) | Proposed Amendment (3%) | Proposed Amendment (3%) | |
| 45 | FY | UNITS Sold of NEW Mobile Homes | Total Retail Sales (New Mobile Homes) | Sales Tax Collections | Sales Tax Collections | Reduction in Sales Tax Collections | |
| 46 | FY 2019-20 | 6,242 | | | | | |
| 47 | FY 2020-21 | 6,342 | 565,706,400 | 33,942,384 | | | |
| 48 | FY 2021-22 | 6,370 | 568,204,000 | 34,092,240 | 17,046,120 | -17,046,120 | |
| 49 | FY 2022-23 | 6,418 | 572,485,600 | 34,349,136 | 17,174,568 | -17,174,568 | |
| 50 | FY 2023-24 | 6,460 | 576,232,000 | 34,573,920 | 17,286,960 | -17,286,960 | |
| 51 | FY 2024-25 | 6,522 | 581,762,400 | 34,905,744 | 17,452,872 | -17,452,872 | |
| 52 | FY 2025-26 | 6,585 | 587,382,000 | 35,242,920 | 17,621,460 | -17,621,460 | |
| 53 | FY 2026-27 | 6,655 | 593,626,000 | 35,617,560 | 17,808,780 | -17,808,780 | |

12/10/2021

Annual Shipments to States: 1994 - 2021
(2021 YTD: Through August)

| CY | Florida |
|------|---------|
| 1994 | 17,805 |
| 1995 | 15,951 |
| 1996 | 17,388 |
| 1997 | 18,971 |
| 1998 | 20,246 |
| 1999 | 17,563 |
| 2000 | 12,285 |
| 2001 | 11,749 |
| 2002 | 11,148 |
| 2003 | 10,629 |
| 2004 | 15,582 |
| 2005 | 17,750 |
| 2006 | 11,036 |
| 2007 | 6,122 |
| 2008 | 4,292 |
| 2009 | 2,334 |
| 2010 | 2,493 |
| 2011 | 2,342 |
| 2012 | 2,659 |
| 2013 | 3,002 |
| 2014 | 3,780 |
| 2015 | 4,954 |
| 2016 | 5,453 |
| 2017 | 5,855 |
| 2018 | 7,322 |
| 2019 | 7,819 |
| 2020 | 6,681 |
| 2021 | 4,863 |

January-August

| United States | | | |
|---------------|-----------|---------------|-----------------------|
| CY | Shipments | Sold & Placed | Ratio Sold to Shipped |
| 2014 | 64,331 | 44,100 | 0.69 |
| 2015 | 70,544 | 45,600 | 0.65 |
| 2016 | 81,136 | 51,500 | 0.63 |
| 2017 | 92,902 | 53,900 | 0.58 |
| 2018 | 96,555 | 55,100 | 0.57 |
| 2019 | 94,615 | 62,200 | 0.66 |
| 2020 | 94,390 | 60,500 | 0.64 |
| 2021 | 70,410 | NA | NA |
| Average | | | 0.63 |

Source: Selected Characteristics of New Manufactured Homes Sold and Placed

Source: US Census Bureau, Manufactured Housing Survey.

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Entire Bill

Partial Bill:

Sponsor(s): Sen. Albritton

Month/Year Impact Begins: July 1, 2022

Date of Analysis: November 18, 2021

Section 1: Narrative

a. Current Law:

Public Service Tax

Municipalities and charter counties may levy by ordinance a public service tax on the purchase of electricity, metered natural gas, liquefied petroleum gas either metered or bottled, manufactured gas either metered or bottled, and water service. (Section 166.231(1), F.S.) The tax is levied only upon purchases within the municipality or within the charter county's unincorporated area and cannot exceed 10 percent of the payments received by the seller of the taxable item. Services competitive with those listed above, as defined by ordinance, can be taxed on a comparable base at the same rates; however, the tax rate on fuel oil cannot exceed 4 cents per gallon. (Section 166.231(2), F.S.) The tax proceeds are considered general revenue for the municipality or charter county.

Opportunity Zones

The Federal "Tax Cuts and Jobs Act of 2017" included a section creating the Opportunity Zones in designated low-income communities.¹ The Economic Innovation Group (EIG) describes Opportunity Zones as:

"... a new community development program ... to encourage long-term investments in low-income urban and rural communities nationwide. The Opportunity Zones program provides a tax incentive for investors to re-invest their unrealized capital gains into Opportunity Funds that are dedicated to investing into Opportunity Zones designated by the chief executives of every U.S. state and territory."²

To enable Florida to participate in this new program, then Governor Scott nominated population census tracts to be designated as Qualified Opportunity Zones (QOZs). To be eligible, such tracts had to be low-income communities (LICs) as defined in the Federal New Markets Tax Credit program, in accordance with the following parameters:

- The poverty rate for the tract is at least 20%;
- The tract is not located within a metropolitan area and the median family income does not exceed 80% of the statewide median family income, or
- The tract is located within a metropolitan area and the median family income for such tract does not exceed 80% of the greater of statewide median family income or the metropolitan area median family income.³

As of 2015, Florida had 1,335 tracts with poverty rates of at least 20 percent, or 31.4 percent of the total tracts in the state.⁴ Only twenty-five percent of qualified census tracts within a state were eligible to be nominated and designated as QOZs. However, non-eligible population census tracts could qualify if the tract was contiguous with a low-income community that is designated as a QOZ, and the median family income of the tract did not exceed 125 percent of the median family income

¹ Public Law 115-97, Part IX, Subpart B, Sec. 13823. <https://www.congress.gov/bill/115th-congress/house-bill/1/text>

² <http://eig.org/opportunityzones> The Economic Innovation Group is the public policy organization that developed and promoted the Opportunity Zones concept, first filed as a bill in early 2017.

³ 26 U.S. Code Section 45D(e). This law also provides that a census tract with a population of less than 2,000 is treated as a low-income community if it is within an empowerment zone under IRC §1391 and is contiguous to one or more low-income communities. For census tracts within high migration rural counties, the median family income cannot exceed 85% of the statewide median family income. In 2010, the GAO (10-334, 8) noted that 36 percent of the US population lives within 39 percent of the census tracts in the US that are considered low-income communities for the New Market Tax Credit program.

The Community Development Financial Institutions Fund provides an interactive website to identify current qualified low-income communities. <https://www.cdfifund.gov/opportunity-zones>

Also see <https://www.irs.gov/pub/irs-drop/rp-18-16.pdf>

⁴ https://factfinder.census.gov/bkmk/table/1.0/en/ACS/15_5YR/S1701/0400000US12.14000

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of the low-income community with which the tract is contiguous. This exception was limited to no more than five percent of designated census tracts.

The Florida Department of Economic Opportunity provided this overview of Governor Scott's selection process in nominating census tracts for designation as QOZs:⁵

- The tax bill allowed 5% of tract nominations to be tracts that did not meet the low-income designation but were contiguous, or next to, other tracts that did meet the criteria. The Governor chose not to nominate contiguous tracts so that the areas with the most need could be designated.
- DEO staff used a combination of data and project requests to determine the Zones. A statistical model was created using census tract data and other economic indicators, such as poverty level, unemployment rates and population density. DEO used a proportional method of nominating tracts so that every county received at least one census tract nomination. Finally, DEO incorporated into the model requests from city and county governments, regional planning councils, nonprofits, investors, developers and others.
- DEO received requests for more than 1,200 census tracts, which is more than the 427 the state can nominate. Feedback was incorporated as much as possible, and balanced with the economic analysis. For example, a request in an area with very low unemployment may not have been chosen.

The Department of the Treasury approved Governor Scott's nomination of QOZs in June, 2018.⁶ These 427 approved QOZs are now in place for a full 10-year period.⁷ Staff associated with the Community Development Financial Institutions Fund (CDFI Fund) of the Department administer the program.

Qualified Opportunity Funds are the means through which deferred capital gains are invested. To qualify, each fund must hold at least 90 percent of its assets in QOZ property, which is defined as stock, partnership interest, or property of a QOZ trade or business. Investors in Opportunity Funds benefit in a number of ways. First, federal taxes on individual and corporate capital gains in stocks and mutual funds can be deferred while such gains are reinvested in an Opportunity Fund.⁸ If the investment is maintained for 5 years, the taxable amount on the original capital gains is reduced by 10 percent. If maintained in the Opportunity Fund for 7 years, the taxable amount is reduced by 15 percent. If maintained for 10 years, gains on any appreciation of the investment in the Opportunity Fund are not taxed as capital gains.⁹

A 2018 GreenbergTraurig Advisory summarizes the collective benefits of this new federal program:

The new tax reform legislation, the Tax Cuts and Jobs Act (TCJA), created a significant new economic development tool alongside a meaningful tax deferral and abatement mechanism, "qualified opportunity zones." The new provision provides a flexible deferral mechanism for short and long term capital gains for current investments in nearly all asset classes....This program will provide businesses, projects, and commercial property in eligible low-income census tracts attractive financing and what could amount to a substantial long-term subsidy for economic development. The provision will also provide opportunities for investors, individual and corporate, to defer current capital gains, significantly increase basis in their current investments, and abate all future capital gains on the investment. Sophisticated fund managers should be able to find complex structures and entity planning to optimize return for investors and maximize subsidy for low-income businesses and property investment. Due to the broad base of potential investors and eligible projects, property, and transactions, this program has the ability

⁵ <http://www.floridajobs.org/docs/default-source/communicationsfiles/fl-opportunity-zones-faq.pdf>

⁶ <http://www.floridajobs.org/docs/default-source/communicationsfiles/treasury-irs-designation-letter-fl.pdf?sfvrsn=2> These approved QOZs may be viewed at <https://eig.org/opportunityzones> The Federal regulations regarding the designation of QOZs is 26 USC 1400Z-1.

⁷ [Opportunity Zones Program - FloridaJobs.org](#) Recent research indicates there are seven to 10 Qualified Opportunity Zones in Florida with active investments. [OZ Activity Map - Economic Innovation Group \(eig.org\)](#). In addition, there may be 25 Qualified Opportunity Zones with an investment objective that specifically identifies Florida as a target market, with a cumulative fund size of \$4.3 billion. [List of Florida Opportunity Zones & OZ Funds - OpportunityDb](#)

⁸ Normally, the proceeds from the sale of those assets would be taxed as a capital gain, at a maximum federal rate of 20 percent plus and net investment income tax of 3.8%.

⁹ For examples of investment benefit scenarios, see <http://eig.org/wp-content/uploads/2018/02/Opportunity-Zones-Fact-Sheet.pdf>

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to provide substantial returns to investors, administrative opportunities for funds, and subsidy for eligible projects and businesses.¹⁰

Sales Tax on Electrical Energy

Unless a specific exemption is specified in Section 212, s. 212.05, F.S., provides it is the legislative intent that every person is exercising a taxable privilege that engages in the business of selling tangible personal property in this state. For exercising such a privilege, a tax is levied on each taxable transaction or incident. The retail sale of electrical power or energy in the State of Florida is subject to sales tax. The incidence of the tax is on “charges for electrical power or energy,” and the tax rate for such sales is 4.35 percent (see s.212.05(1)(e)1(c) F.S.). The sales of electricity to residential customers is specifically exempt from sales and use tax under s. 212.08(7)(j), F.S.

Rural Job Tax Credit Program

The Rural Job Tax Credit Program offers an incentive for eligible businesses located within one of 36 designated Qualified Rural Areas to create new jobs. (Section 212.098, F.S.) The tax credit ranges from \$1,000 to \$1,500 per qualified employee and can be taken against either the Florida Corporate Income Tax or the Florida Sales and Use Tax. The credit can only be taken against one of these two taxes. These tax credits are provided to encourage meaningful employment opportunities that will improve the quality of life of those employed and to encourage economic expansion of new and existing businesses in rural areas of Florida.

Five million dollars of tax credits may be approved in a calendar year.

Qualified Target Industry Tax Refund Program

The Qualified Target Industry Tax Refund Program (QTI), established in 1995, was intended to encourage the creation of high-wage jobs (115 percent or more of the area or statewide annual wage) in targeted industries, with awards ranging from \$3,000 - \$13,500 per job. The targeted industries, as designated by Enterprise Florida, Inc., and the Department of Economic Opportunity (DEO), include: aviation and aerospace, clean technology, defense and homeland security, financial and professional services, headquarters, information technology, life sciences, logistics and distribution, and manufacturing. Unless waived by the DEO, the city or county government in which the project is located must provide 20 percent of the award.

QTI was a grant program, subject to annual appropriation. Grants were contingent upon the verified creation of new jobs and taxes paid by the business in an amount equal to the grant in: corporate income taxes, insurance premium taxes, sales and use taxes, intangible personal property taxes, excise taxes on documents, ad valorem taxes, or state communications services taxes. Each QTI project had a performance-based contract, which outlined specific milestones that must be achieved and verified by the state prior to payment of the grant, distributed over four or more years.

The program sunset in 2020. However, tax refund agreements in effect before June 30, 2020 continued in effect through the terms of the agreement.

Florida Job Growth Grant Fund¹¹

The Florida Job Growth Grant Fund is an economic development program designed to promote public infrastructure and workforce training across the state. (Section 288.101, F.S.) Proposals are reviewed by the Florida Department of Economic Opportunity (DEO) and Enterprise Florida, Inc. (EFI) and chosen by the Governor to meet the demand for workforce or infrastructure needs in the community they are awarded to. The Governor is authorized to approve:

- State or local public infrastructure projects to promote economic recovery in specific regions of the state, economic diversification, or economic enhancement in a targeted industry;
- Infrastructure funding to accelerate the rehabilitation of the Herbert Hoover Dike; and

¹⁰Also see <http://www.governing.com/topics/urban/gov-federal-empowerment-zones.html> , 2/19/19 and <https://www.theatlantic.com/ideas/archive/2018/07/how-do-we-help-this-place/565862/>

¹¹ [Florida Job Growth Grant Fund - FloridaJobs.org](http://FloridaJobs.org)

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- Workforce training grants to support programs at state colleges and state technical centers that provide participants with transferable, sustainable workforce skills applicable to more than a single employer, and for equipment associated with these programs.

During the 2020-2021 fiscal year the fund was appropriated \$50 million,¹² and four infrastructure projects and one workforce training project were approved.¹³

Rural Areas of Opportunity¹⁴

Rural Areas of Opportunity (RAO) are defined as rural communities, or a region composed of rural communities, that have been adversely affected by extraordinary economic events or natural disasters. (Section 288.0656(2)(d), F.S.) The Governor, by executive order, designated three RAOs, which established each region as a priority assignment for Rural and Economic Development Initiative (REDI) agencies. The designation also allows the Governor to waive criteria of any economic development incentive including, but not limited to, the following:

- Qualified Target Industry Tax Refund Program
- Quick Response Training Program
- Transportation Projects
- Brownfield Redevelopment Bonus Refund
- Rural Job Tax Credit Program

b. Proposed Change:

SB 800 proposes to expand the tax exemptions and refunds to qualified businesses in rural areas of the state or located within a federal Opportunity Zones. In addition, it proposes to allocate a portion of Florida Job Growth Grant Fund award to projects within Rural Areas of Opportunity.

Section 1 amends s. 166.231, F.S., to authorize municipalities and charter counties to exempt, by ordinance, qualified businesses in Federal Opportunity Zones (as defined in section 2) from “not less than 100 percent” of levied public service taxes.

Section 2 creates s. 212.02(3), F.S. to define “Opportunity zone” as a federal Qualified Opportunity Zone as designated pursuant to s. 1400Z-1(b)(1)(B) of the Internal Revenue Code. This is the initial qualification for the tax exemptions proposed in sections 1 and 3 of the bill.

Section 3 amends s. 212.08(5), F.S., to create a sales and use tax exemption of between \$500 and \$7,500 for building materials used in the rehabilitation of real property located in an Opportunity Zone. “Rehabilitation of real property” means the reconstruction, renovation, restoration, rehabilitation, construction, or expansion of improvements to real property. The exemption inures through a refund of previously paid taxes. Absent documentation of actual costs of building materials and taxes paid, the cost of the building materials “is deemed to be an amount equal to 40 percent of the increase in assessed value for ad valorem tax purposes.”

Section 3 also creates s. 212.08(19), F.S., to grant a 50 percent sales and use tax exemption on electrical energy used by a qualified business in an Opportunity Zone, provided the municipality or charter county has exempted the business from the Public Service Tax. Qualified businesses are eligible for the exemption for five years. Qualified Businesses are businesses that: 1) occupy a new structure (qualified by not having electrical service before), 2) newly occupy a remodeled, renovated or rehabbed structure where the power has been turned off or not connected for at least three previous billing cycles unless used for the remodeling, renovation or rehabilitation, or 3) occupy a new, remodeled, rebuilt, renovated, or rehabilitated structure for which an opportunity zone refund on building materials has been granted.

¹² Chapter 2021-36, s. 152, L.O.F.

¹³ Department of Economic Opportunity, Florida Job Growth Grant Fund Awarded Proposals, 2020-2021, <http://www.floridajobs.org/jobgrowth/2017-18-awarded-proposals>

¹⁴ [Annual-Report-2020.pdf \(enterpriseflorida.com\)](#)

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Section 4 amends s. 212.098, F.S., to increase the Rural Job Tax Credits and reduce the qualifying thresholds. For newly eligible businesses, the credit is increased from \$1,000 to \$2,500, and the requirement that businesses hire at least 10 qualified employees is repealed. For existing qualified businesses with fewer than 50 employees, the credit is increased from \$1,000 to \$2,000, and the threshold percentage of prior year employees is reduced from 20 to 10 percent. For existing qualified businesses with more than 50 employees, the credit is increased from \$1,000 to \$1,500, and the threshold of prior year employees is reduced from 10 to 5.

Section 5 creates the Rural Opportunity Tax Refund program, which largely replicates the now sunset Qualified Target Industry Tax Refund Program, but appears to limit the program to businesses in rural cities and rural communities (as defined in the sunset program).

Section 6 amends s. 288.095, F.S., to include the Rural Opportunity Tax Refund program in the statutory list of programs funded through the Economic Development Trust Fund in DEO.

Section 7 amends s. 288.101, F.S., to require an allocation of the Florida Job Growth Grant Fund of 10 percent for projects within Rural Areas of Opportunity.

Section 8 provides an effective date of July 1, 2022.

Section 2: Description of Data and Sources

The Department of Economic Opportunity

GIS Data

DOR historical credit/exemption data

Building Investment Growth Rate

DEO Annual Enterprise Zone Reports

Sources as footnoted

Section 3: Methodology (Include Assumptions and Attach Details)

The analysis focuses on sections 1, 3 and 4. Sections 5-7 are subject to annual appropriation, and therefore, have no revenue impact.

Sections 1 & 3 bear some similarity to the sunset Enterprise Zone program. The Enterprise Zone program sunset December 31, 2015, although the Legislature extended state incentives under certain conditions until December 31, 2018. The Enterprise Zone state incentives included a sales tax refund on the purchase of building materials and business equipment. The amount of the refund is the lesser of 97 percent of the sales taxes paid or \$5,000, or, if 20 percent or more of the business's employees reside in an enterprise zone, the lesser of 97 percent of the taxes paid or \$10,000. There was also a sales tax exemption of 50 percent for electrical energy used in an enterprise zone, if the municipality in which the business was located passed an ordinance to exempt the municipal utility taxes on such business. The methodology to determine Sections 1 & 3 are attached.

Section 4 reduces the threshold to qualify for a Rural Job Tax Credit and increases the credit. The maximum allowed annual credit is \$5,000,000. The Department of Revenue show no credits have been taken in the last two and half years and \$140,000 has been taken within the last five years. It is unclear how the changes would impact the use of the incentive. A negative indeterminate impact is recommended.

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Section 4: Proposed Fiscal Impact

Sections 1 & 3 – Opportunity Zones

| | High | | Middle | | Low | |
|---------|------|-----------|---------|-----------|------|-----------|
| | Cash | Recurring | Cash | Recurring | Cash | Recurring |
| 2022-23 | 0 | 0 | -\$8.7 | -\$34.8 | 0 | 0 |
| 2023-24 | 0 | 0 | -\$17.4 | -\$34.8 | 0 | 0 |
| 2024-25 | 0 | 0 | -\$26.1 | -\$34.8 | 0 | 0 |
| 2025-26 | 0 | 0 | -\$34.8 | -\$34.8 | 0 | 0 |
| 2026-27 | 0 | 0 | -\$34.8 | -\$34.8 | 0 | 0 |

Section 4 – Rural Job Tax Credit

| | High | | Middle | | Low | |
|---------|------|-----------|--------|-----------|------|-----------|
| | Cash | Recurring | Cash | Recurring | Cash | Recurring |
| 2022-23 | 0 | 0 | (**) | (**) | 0 | 0 |
| 2023-24 | 0 | 0 | (**) | (**) | 0 | 0 |
| 2024-25 | 0 | 0 | (**) | (**) | 0 | 0 |
| 2025-26 | 0 | 0 | (**) | (**) | 0 | 0 |
| 2026-27 | 0 | 0 | (**) | (**) | 0 | 0 |

List of affected Trust Funds: Local Taxes, Sales Tax, Gross Receipts

Section 5: Consensus Estimate (Adopted: 12/10/2021) The Conference adopted the proposed estimate.

| | GR | | Trust | | Revenue Sharing | | Local Half Cent | |
|---------|--------|-----------|-------|-----------|-----------------|-----------|-----------------|-----------|
| | Cash | Recurring | Cash | Recurring | Cash | Recurring | Cash | Recurring |
| 2022-23 | (4.0) | (15.7) | (0.9) | (3.5) | (0.1) | (0.5) | (0.4) | (1.5) |
| 2023-24 | (7.9) | (15.7) | (1.8) | (3.5) | (0.3) | (0.5) | (0.8) | (1.5) |
| 2024-25 | (11.9) | (15.7) | (2.6) | (3.5) | (0.4) | (0.5) | (1.1) | (1.5) |
| 2025-26 | (15.7) | (15.7) | (3.5) | (3.5) | (0.5) | (0.5) | (1.5) | (1.5) |
| 2026-27 | (15.7) | (15.7) | (3.5) | (3.5) | (0.5) | (0.5) | (1.5) | (1.5) |

| | Local Option | | Total Local | | Total | |
|---------|--------------|-----------|-------------|-----------|--------|-----------|
| | Cash | Recurring | Cash | Recurring | Cash | Recurring |
| 2022-23 | (0.7) | (2.6) | (4.6) | (18.2) | (9.5) | (37.4) |
| 2023-24 | (1.3) | (2.6) | (9.0) | (18.2) | (18.7) | (37.4) |
| 2024-25 | (2.0) | (2.6) | (13.6) | (18.2) | (28.1) | (37.4) |
| 2025-26 | (2.6) | (2.6) | (18.2) | (18.2) | (37.4) | (37.4) |
| 2026-27 | (2.6) | (2.6) | (18.2) | (18.2) | (37.4) | (37.4) |

Comparison between Opportunity Zone and Enterprise Zone

| | Opportunity Zone | Enterprise Zone (based on DEO 2015 EZ annual report) |
|---------------------|------------------|--|
| Number of Zones | 472 | 65 |
| Corresponding Miles | 7,117.7 | 1,497.0 |

| | | |
|--|--|--|
| History of Building Material Refunds (Post condo law change) | Section 9 of ch. 2010-147, L.O.F., removed the eligibility of condominium parcels or property, as defined in s. 718.103, F.S., for the sales tax exemption for building materials, pursuant to s. 212.08(5)(g), F.S. | |
| FY 2010-11 | \$13,590,376 | |
| FY 2011-12 | \$632,604 | |
| FY 2012-13 | \$652,728 | |
| FY 2013-14 | \$1,194,130 | |
| FY 2014-15 | \$1,368,183 | |
| FY 2015-16 through 2017-18 | \$1,728,008 (post sunset) | |

| Incentives | Opportunity Zone | Enterprise Zone | FY 2014/15 EZ Incentives |
|-------------------------------------|--|---|--------------------------|
| <u>Building Materials Refund</u> | A refund is available for sales taxes paid on the purchase of building materials used to rehabilitate real property located in a zone that may not exceed the lesser of 97% of sales tax paid or \$7,500. The minimum refund is \$500. | A refund may not exceed the lesser of 97% of the sales tax paid on the cost of the building materials used in the rehabilitation of real property or \$5,000. If at least 20 percent of the employees of the business are residents of an enterprise zone, the amount of refund may not exceed \$10,000. | \$ 1,368,183 |
| <u>Electricity Energy Exemption</u> | Sales tax exemption of 50 percent for electrical energy used in an enterprise zone, if the municipality in which the business is located has passed an ordinance Public Service Tax exemption for electrical energy used in an opportunity zone, if the municipality in which the business is located has passed an ordinance | Sales tax exemption of 50 percent for electrical energy used in an enterprise zone, if the municipality in which the business is located has passed an ordinance A municipality may by ordinance exempt not less than 50 percent of the tax imposed under this section on purchasers of electrical energy who are determined to be eligible for the exemption provided by s. 212.08(15) by the Department of Revenue | \$ 1,971,189 #N/A |

| | <u>Average EZ incentive/mile</u> | Grown by CPI for FY 2022/23 |
|------------------------------|----------------------------------|-----------------------------|
| Building Materials Refund | \$913.95 | \$1,119.25 |
| Electricity Energy Exemption | \$1,316.76 | |

Assumptions for Opportunity Zones

| | | |
|----------------------------------|---------------------------|--|
| Building Materials Refund | Average EZ incentive/mile | Increase from \$5,000 to \$7,500 (most EZ refunds capped at \$5,000) |
| | \$1,119.25 | \$1,678.87 |
| Building Materials Refund | | |
| Average * Total OZ miles | | \$11,949,692.92 |

| | | |
|-------------------------------------|---------------------------|---|
| Electric Energy Exemption | Average EZ incentive/mile | 10% Public Service Tax |
| | \$1,316.76 | \$1,894.62 |
| | 4.35% Sales Tax | (2.6% GRT) (Trust) 10% PST (Local) |
| | \$824.16 | \$492.60 \$1,894.62 |
| Electric Exemption * Total OZ miles | \$5,866,115.34 | \$3,506,183.88 \$13,485,322.63 |

| | Ramp up | State Sales Tax | Trust | Local |
|---------|---------|-----------------|-------------|--------------|
| 2022-23 | 25% | \$4,453,952 | \$876,546 | \$3,371,331 |
| 2023-24 | 50% | \$8,907,904 | \$1,753,092 | \$6,742,661 |
| 2024-25 | 75% | \$13,361,856 | \$2,629,638 | \$10,113,992 |
| 2025-26 | 100% | \$17,815,808 | \$3,506,184 | \$13,485,323 |
| 2026-27 | 100% | \$17,815,808 | \$3,506,184 | \$13,485,323 |