

DRAFT

INITIATIVE FINANCIAL INFORMATION STATEMENT

**Fairness Initiative Requiring Legislative Determination
that Sales Tax Exemptions and Exclusions Serve a Public Purpose**

SUMMARY OF INITIATIVE FINANCIAL INFORMATION STATEMENT

This amendment requires the Legislature to review most existing exemptions and exclusions from the sales tax. Any exemptions or exclusions subject to review and not continued are repealed.

Additionally, the Legislature must make a finding that each exemption or exclusion, whether continued or newly created, serves the public purpose of: encouraging economic development and competitiveness; supporting educational, governmental, literary, scientific, religious, or charitable initiatives or institutions; or securing tax fairness. The amendment also sets out exemptions and exclusions not subject to review.

The probable impact of the amendment on state and local government revenues cannot be determined because it depends on future actions of the Legislature. The value of the sales tax exemptions and exclusions subject to review is substantial, but sufficient data to quantify the value is not available. Based on the information contained in the Florida Tax Handbook (2004), the Financial Information Estimating Conference (Conference) determined that the potential value of the sales tax exemptions and exclusions subject to review might exceed \$13 billion. However, the accuracy of this information is uncertain because it was not compiled for the purposes of evaluating this amendment.

Finally, it is not known whether the Legislature will continue any exemption or exclusion after it is reviewed. If an exemption or exclusion is continued, state and local revenues will not be affected. If an exemption or exclusion is not continued, then the state and local governments may receive more revenue. Many of the exemptions and exclusions identified as subject to review serve the public purposes stated in the amendment, and will likely be retained. There is no restriction in the amendment that requires the sales tax rate to remain unchanged. Additional revenues that would result from not continuing some of the current exemptions and exclusions could be offset by reducing the sales tax rate or by changes to other tax laws.

Based on the information provided through public workshops and staff research, the Conference expects that the proposed amendment will have the following financial effects:

State and Local Government Revenue Impact – The fiscal impact to the state and local governments cannot be determined at this time, as the impact will depend on future actions taken by the Legislature and the Governor.

State Cost Impacts – There will be some additional state administrative costs associated with any changes to current tax collection activities if some exemptions and exclusions are not continued.