

REVENUE ESTIMATING CONFERENCE

Tax: R&D CIT Credit

Issue: Corporate Income Tax

Bill Number(s): CS/SB 750

☒ **Entire Bill**

☐ **Partial Bill:**

Sponsor(s): Senator Gruters

Month/Year Impact Begins: June 1st, 2019

Date of Analysis: March 6th, 2019

Section 1: Narrative

a. Current Law: 220.196 Research and development tax credit. —

(2) TAX CREDIT. —

(e) The combined total amount of tax credits which may be granted to all business enterprises under this section during any calendar year is \$9 million, except that the total amount that may be awarded in the 2018 calendar year is \$16.5 million. Applications may be filed with the department on or after March 20 and before March 27 for qualified research expenses incurred within the preceding calendar year. If the total credits for all applicants exceed the maximum amount allowed under this paragraph, the credits shall be allocated on a prorated basis.

b. Proposed Change: The proposed language would increase the combined total amount of research and development credits against the corporate income tax from \$9 million to \$35 million, and remove language increasing the 2018 calendar year amount to \$16.5 million. Section two makes this change first applicable to the 2019 allocation of tax credits for expenses incurred in calendar year 2018.

Section 2: Description of Data and Sources

Research and Development Tax Credit for Florida Corporate Income Tax, 2018 Allocation Report (DOR)

Section 3: Methodology (Include Assumptions and Attach Details)

Based on the total requested amount of \$68,067,382 from all approved applications in 2018, it is assumed that all additional cap space will be utilized.

Section 4: Proposed Fiscal Impact

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2019-20	(52.0m)	(26.0m)	(26.0m)	(26.0m)		
2020-21	(26.0m)	(26.0m)	(26.0m)	(26.0m)		
2021-22	(26.0m)	(26.0m)	(26.0m)	(26.0m)		
2022-23	(26.0m)	(26.0m)	(26.0m)	(26.0m)		
2023-24	(26.0m)	(26.0m)	(26.0m)	(26.0m)		

For the middle estimate, there would also be a 2018-19 cash impact of \$26.0 M.

List of affected Trust Funds:

General Revenue

Section 5: Consensus Estimate (Adopted: 03/08/2019): The Conference assumed that none of the 18-19 credit would be made available until 19-20 and 2/3rds of each subsequent year's credit would be taken in that year and 1/3 would slide into the following year.

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2019-20	(43.3)	(26.0)	0.0	0.0	0.0	0.0	(43.3)	(26.0)
2020-21	(26.0)	(26.0)	0.0	0.0	0.0	0.0	(26.0)	(26.0)
2021-22	(26.0)	(26.0)	0.0	0.0	0.0	0.0	(26.0)	(26.0)
2022-23	(26.0)	(26.0)	0.0	0.0	0.0	0.0	(26.0)	(26.0)
2023-24	(26.0)	(26.0)	0.0	0.0	0.0	0.0	(26.0)	(26.0)

REVENUE ESTIMATING CONFERENCE

Tax: Insurance Premium Tax

Issue: Florida Rural Job and Business Recovery Act

Bill Number(s): SB 298

☒ **Entire Bill**

☐ **Partial Bill:**

Sponsor(s): Senator Montford

Month/Year Impact Begins: 10/01/2019 – two year lag before first credit taken on return

Date of Analysis: 02/25/2019

Section 1: Narrative

a. Current Law:

Florida has a number of programs that provide or facilitate access to capital for Florida businesses through equity investment, loans or loan support:

- The State Board of Administration's Florida Growth Fund, with \$621.6 million invested in 46 technology and growth companies and 33 private equity funds across 13 Florida counties;
- The Florida Venture Capital Program, capitalized with \$43.5 million in Federal State Small Business Credit Initiative (SSBCI) funds;
- The Small Business Loan Support Program, capitalized with \$47 million in SSBCI funds; and
- The Florida Opportunity Fund, capitalized with \$29.5 million, invests in seed and early stage venture capital funds, and provides direct investments in and loans to Florida-based technology businesses and infrastructure projects;
- The Clean Energy Investment Program within the Florida Opportunity Fund was capitalized with \$36 million for the US Department of Energy to provide funding to businesses to increase the use of energy efficient or renewable energy, equipment and materials in the State.
- The Florida New Markets Development Program, with \$216.34 million in tax credits authorized and allocated to tax credit investors to date.

With the exception of the New Markets Development Program, these programs are designed to preserve and redeploy program capital and returns, providing a revolving funding source for future loans and investments.

The Rural Job Tax Credit program offers tax credits for job creation, ranging from \$1,000 to \$1,500 per qualified employee, taken against either the Florida corporate income tax or the Florida sales and use tax. [Sections 212.098 & 220.1895, F.S.]

Florida also offers a number of programs to facilitate economic development in rural communities of the state. While these programs may indirectly benefit small businesses, the grants are principally to local governments or economic development organizations.

Currently, there is no Florida program that allocates tax credits to investors in Rural Business Investment Companies, Small Business Investment Companies or affiliates of private equity firms that specifically invest in or loan to businesses in non-urban areas.

- #### b. Proposed Change:
- SB 298 creates section 288.062, F.S., the Florida Jobs and Business Recovery Act. The bill would enable Florida insurance companies to earn Insurance Premium tax credits by investing in a Growth Fund (a federally licensed rural or small business investment company or its affiliate) that makes investments in or loans to qualified Growth Businesses in non-urban areas of the state. Insurance companies would receive a tax credit in the amount of their investment, redeemed in equal installments over the last five years of the 7-year investment term. Unused tax credits may be carried forward for up to ten years.

Section 2: Description of Data and Sources

Department of Revenue return data

REVENUE ESTIMATING CONFERENCE

Tax: Insurance Premium Tax

Issue: Florida Rural Job and Business Recovery Act

Bill Number(s): SB 298

Section 3: Methodology (Include Assumptions and Attach Details)

The program architecture enabled by the Florida Jobs and Business Recovery Act is similar to that of Florida's Certified Capital Company program (CAPCO, s. 288.99, F.S., repealed in 2010) and to some extent Florida's New Markets Development Program (NMDP, s. 288.991, F.S.), which uses complex inter-related, multiple-step transaction structures to facilitate loans or equity investments in qualified businesses, with a portion of the equity or the loan principal generated through the provision or sale of tax credits.

Similar legislation has been enacted in at least 4 states (GA, OH, PA & UT; legislation passed in 2018 in New York was vetoed) and is currently under consideration in eight states (KY, MA, MS, NE, RI, SC, TX & WA). In the past, similar legislation has been proposed in at least 6 other states (AL, AZ, KS, LA, MN, & MO).

Under this proposal, the Department of Economic Opportunity (DEO) can accept applications after September 1, 2019, and is authorized to issue \$75 million in cumulative tax credits – limited to redemptions of \$15 million per year – for \$100 million in Investment Authority. This term is defined as “the amount stated” in the Growth Fund certification notice, at least ten percent of which must consist of equity investments contributed by affiliates of the Growth Fund. The certification must also specify the investor contributions committed in the application, inferring that 75 percent of the Investment Authority consists of Insurance Company investor contributions. Growth Fund affiliate equity, investor contributions and additional investments of cash, if necessary, must “at least equal” the Growth Fund's Investment Authority specified in the certification. This definition suggests that funding sources identified in the application and certification could be supplemented by or substituted with funds from other sources to make Growth Investments in qualified Growth Businesses. Because Growth Funds are a federally licensed rural or small business investment company or its affiliate, the Investment Authority could include equity investments from Farm Credit System banks and associations, or loans from the Small Business Administration (SBA). Additional funding sources could also include loans from commercial lenders and equity generated from other public subsidies.

Staff of the U.S. Department of Agriculture report that currently, there are five certified Rural Business Investment Companies in the U.S, 3 additional companies with conditional licenses, and 2 companies with applications pending. The Congressional Research Service reports that in 2018, there were 305 licensed Small Business Investment Companies.

The amount of certified Investment Authority must be initially used for Growth Investments in qualified Growth Businesses within two years of the closing date of the Growth Fund, which is within 60 days after certification of the Growth Fund by DEO. At this initial stage of the investment period, the ratio of leveraged capital (private funds and other public subsidies) to allocated state tax credits is 1:3. At the end of the investment period, the ratio is required to be 1:1, and distributions and payments are not required to be recycled into new growth investments.

The bill defines Growth Investments as “any capital or equity investment in a growth business or any loan to a growth business with a stated maturity at least 1 year after the date of issuance.”

The bill defines Growth Businesses eligible for investments as a business that at the time of the initial Growth Investment has fewer than 200 employees; has its principal place of business operations in one or more non-urban areas in the state (as defined by the US Bureau of the Census); and is engaged in industries related to agribusiness, mining, oil and gas extraction, utilities, construction, manufacturing, transportation and warehousing, professional, scientific and technical services, healthcare and social assistance, or if not engaged in such industries, upon a determination by the department that the investment will be beneficial to the non-urban areas.

The remaining investment parameters are indirectly addressed in the tax credit revocation conditions specified in the bill. Given these investment parameters, it appears that Growth Funds need only maintain all of its certified amount of Investment Authority in investments in Growth Businesses for two of the 7 years of the investment period, and perhaps less if the Growth Fund makes a distribution or payment from the fund. Loans to an individual Growth Business must have a “stated maturity” of at least one year. The bill does not specify how long equity investments in Growth Businesses must be maintained.

Required annual reports on Growth Fund investments may only provide a “snapshot” of Growth Investments, as the duration of the investments are not required to be reported. In addition, reporting of redeemed or repaid investments

REVENUE ESTIMATING CONFERENCE

Tax: Insurance Premium Tax

Issue: Florida Rural Job and Business Recovery Act

Bill Number(s): SB 298

need only be provided “if the annual report for such investments is available.” Growth Funds are not required to identify other sources of investment funds, either private or subsidized, actually used to make Growth Investments.

Given the possible funding sources for Growth Investments, the broad eligibility of market or resource dependent Growth Businesses for loans or equity investments, and the apparent flexible duration of both Investment Authority and individual Growth Investments, it is likely there will be full participation in the proposed program. (The Georgia, Ohio, and Utah programs report full participation in their programs. The Pennsylvania program is unused, as the ratio of tax credits awards to Investment Authority is very low.)

The bill limits the amount of program Investment Authority to a total that will result in no more than \$15 million in tax credits taken in any one year, excluding credits carried forward by the tax credit investor (Insurance Company). The bill does not have a sunset provision.

The low uses the behavior of the New Markets program to forecast the timing of the credits that could be taken under this program. The New Markets program has a similar investment strategy and some of the insurance companies who are investors in the New Markets program may also participate in this program. The high assumes that the investment credits can meet their maximum investment in the first year and be fully utilized within the parameters of the program.

Section 4: Proposed Fiscal Impact

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2019-20	(\$0.0m)	(\$15.0m)			(\$0.0m)	(\$15.0m)
2020-21	(\$0.0m)	(\$15.0m)			(\$0.0m)	(\$15.0m)
2021-22	(\$15.0m)	(\$15.0m)			(\$4.5m)	(\$15.0m)
2022-23	(\$15.0m)	(\$15.0m)			(\$12.0m)	(\$15.0m)
2023-24	(\$15.0m)	(\$15.0m)			(\$15.0m)	(\$15.0m)

List of affected Trust Funds: Insurance Premium Tax

Section 5: Consensus Estimate (Adopted: 03/08/2019): The Conference adopted the high estimate.

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2019-20	0.0	(15.0)	0.0	0.0	0.0	0.0	0.0	(15.0)
2020-21	0.0	(15.0)	0.0	0.0	0.0	0.0	0.0	(15.0)
2021-22	(15.0)	(15.0)	0.0	0.0	0.0	0.0	(15.0)	(15.0)
2022-23	(15.0)	(15.0)	0.0	0.0	0.0	0.0	(15.0)	(15.0)
2023-24	(15.0)	(15.0)	0.0	0.0	0.0	0.0	(15.0)	(15.0)

	A	B	C	D	E	F	G	H	I	J	K	L	M
1	New Markets Credit												
2	Chapter Law	Investment	Max Cap	Additional	Annual Cap								
3	2009-50	250.0	97.5	97.5	20.0								
4	2012-32	420.0	163.8	66.3	33.6								
5	2013-42	458.5	178.8	15.0	36.6								
6	2014-38	554.7	216.3	37.5	36.6								
7													
8	Tax Return Calendar Year - Maximum Allowable Credit												
9	Chapter Law	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
10	2009-50	0.0	0.0	17.5	20.0	20.0	20.0	20.0	0.0	0.0	0.0	0.0	0.0
11	2012-32	0.0	0.0	0.0	0.0	0.0	11.9	13.6	13.6	13.6	13.6	0.0	0.0
12	2013-42	0.0	0.0	0.0	0.0	0.0	0.0	2.7	3.1	3.1	3.1	3.1	0.0
13	2014-38	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6.7	7.7	7.7	7.7	7.7
14													
15	Allowable Credits	0.0	0.0	17.5	20.0	20.0	31.9	36.3	23.4	24.4	24.4	10.8	7.7
16	Credits Taken w/Return	0.0	0.0	5.4	16.2	17.7	26.5	30.1	33.4	19.2	-	-	-
17	Percent Taken			31%	81%	89%	83%	83%					
18													
19	Impact												
20		Take-up	Credit	2019-20	2020-21	2021-22	2022-23	2023-24					
21	Cohort 1	30%	22.5	0.0	0.0	4.5	4.5	4.5					
22	Cohort 2	80%	37.5	-	0.0	0.0	7.5	7.5					
23	Cohort 3	100%	15.0	-	-	0.0	0.0	3.0					
24		Total	75.0	0.0	0.0	4.5	12.0	15.0					

REVENUE ESTIMATING CONFERENCE

Tax: Insurance Premium Tax

Issue: Scholarship Credit Flexibility

Bill Number(s): Proposed Language

☒ **Entire Bill**

☐ **Partial Bill:**

Sponsor(s): N/A

Month/Year Impact Begins: June 2018

Date of Analysis: 3/7/2019

Section 1: Narrative

a. Current Law: Section 624.5092(2) (b) and (c) read: (b) Any taxpayer who fails to report and timely pay any installment of tax, who estimates any installment of tax to be less than 90 percent of the amount finally shown to be due in any quarter, or who fails to report and timely pay any tax due with the final return is in violation of this section and is subject to a penalty of 10 percent on any underpayment of taxes or delinquent taxes due and payable for that quarter or on any delinquent taxes due and payable with the final return. Any taxpayer paying, for each installment required in this section, 27 percent of the amount of the net tax due as reported on her or his return for the preceding year shall not be subject to the penalty provided by this section for underpayment of estimated taxes.

(c) When any taxpayer fails to pay any amount due under this section, or any portion thereof, on or before the day when such tax or installment of tax is required by law to be paid, there shall be added to the amount due interest at the rate of 12 percent per year from the date due until paid.

Section 624.51055 Credit for contributions to eligible nonprofit scholarship-funding organizations.—

(1) There is allowed a credit of 100 percent of an eligible contribution made to an eligible nonprofit scholarship-funding organization under s. 1002.395 against any tax due for a taxable year under s. 624.509(1) after deducting from such tax deductions for assessments made pursuant to s. 440.51; credits for taxes paid under ss. 175.101 and 185.08; credits for income taxes paid under chapter 220; and the credit allowed under s. 624.509(5), as such credit is limited by s. 624.509(6). An insurer claiming a credit against premium tax liability under this section shall not be required to pay any additional retaliatory tax levied pursuant to s. 624.5091 as a result of claiming such credit. Section 624.5091 does not limit such credit in any manner.

(2) The provisions of s. 1002.395 apply to the credit authorized by this section.

Section 1002.395(5) reads (in part): (b) A taxpayer may submit an application to the department for a tax credit or credits under one or more of s. 211.0251, s. 212.1831, s. 220.1875, s. 561.1211, or s. 624.51055.

1. The taxpayer shall specify in the application each tax for which the taxpayer requests a credit and the applicable taxable year for a credit under s. 220.1875 or s. 624.51055 or the applicable state fiscal year for a credit under s. 211.0251, s. 212.1831, or s. 561.1211. For purposes of s. 220.1875, a taxpayer may apply for a credit to be used for a prior taxable year before the date the taxpayer is required to file a return for that year pursuant to s. 220.222. The department shall approve tax credits on a first-come, first-served basis and must obtain the division's approval before approving a tax credit under s. 561.1211.

(g)2. For purposes of determining if a penalty under s. 624.5092 shall be imposed, an insurer may, after earning a credit under s. 624.51055, reduce the following installment payment of 27 percent of the amount of the net tax due as reported on the return for the preceding year under s. 624.5092(2)(b) by the amount of the credit. This subparagraph applies to contributions made on or after July 1, 2014.

b. Proposed Change: Amends Section 624.51055(1) to provide that an eligible contribution must be made to an eligible nonprofit scholarship-funding organization on or before the date the taxpayer is required to file a return pursuant to s.s. 624.509 and 624.5092.

Amends section 1002.395 (5) (b) and (g)2. to provide that for purposes of section 624.51055, a taxpayer may apply for a credit to be used for a prior taxable year before the date the taxpayer is required to file a return for the year pursuant to s.s. 624.509 or 624.5092 and to provide that for purposes of determining if a penalty under s. 624.5092 shall be imposed, an insurer may, after earning a credit under 624.51055, reduce any installment payment.

Section 2: Description of Data and Sources

December 2018 scholarship Credit Estimate for Insurance Premium Tax

Insurance Premium 2017 Return file

REVENUE ESTIMATING CONFERENCE

Tax: Insurance Premium Tax

Issue: Scholarship Credit Flexibility

Bill Number(s): Proposed Language

SAP return data

Section 3: Methodology (Include Assumptions and Attach Details)

The analyst has identified two potential fiscal impacts in the bill.

- 1. Non-Recurring impact from allowing the contribution to be credited against any estimated payment** – the current estimated payment timing for insurance premium tax provides for three estimated payments during a calendar year. All Insurance Premium taxpayers are taxed on premium volume during a calendar year. two of the three payments occur during an earlier state fiscal year and the third estimated payment and return payment are made in the following state fiscal year.
Current law requires the scholarship contribution to be made during the calendar tax year and allows for only the contribution to be credited only against the flowing fiscal year. The proposed language would allow for a contribution to be applied to any estimated payment for determination of whether there was an underpayment. This language would allow a taxpayer to reduce an estimated payment in advance of making a contribution. In those instances where a taxpayer reduces their first or second estimated payment while making the scholarship contribution in the following state fiscal year, there is a non-recurring impact as current law would not allow them to reduce a payment required prior to the contribution.
- 2. Recurring impact from allowing a contribution to be made after the end of the tax year but before the return due date and allowing the taxpayer to apply that payment to any estimated payment for purposes of determining underpayment of estimated payment penalties.**

For the first issue, it was assumed that the language would result in a one time shift in payment amounts in 2019-20 equal to 50% of the forecast scholarship credits in the high, 30% in the middle and 10% in the low.

For the second issue, the amount of penalty over \$10,000 for underpayment of estimated payments was identified for 2017 returns. The proposed language is interpreted to allow a taxpayer who realizes they face a penalty for underpayment of estimated payments that is based on the tax due to reduce or eliminate such penalty and interest by making a scholarship contribution. It was assumed that some number of taxpayers facing a penalty and interest would make a contribution to a Scholarship Funding Organization of the outstanding tax amount rather than pay the tax and potentially face penalties and interest. For the high, it was assumed 80% of all taxpayers facing a penalty greater than \$10,000 would instead make a contribution in the amount of the outstanding tax due. For the middle, it was assumed that 40% of the taxpayers facing penalties greater than \$10,000 would instead make a contribution in the amount of the outstanding tax due. For the low, it was assumed that 20% of the taxpayers facing penalties greater than \$25,000 would instead make a contribution in the amount of the outstanding tax due. It was assumed there would be no growth over the forecast period.

For purposes of the additional scholarship contributions, it was assumed that there would be room under the caps to make these contributions.

Section 4: Proposed Fiscal Impact

Impact 1 – Non recurring Impact from allowing the contribution to be made against any estimated payment starting in 2019-20

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2019-20	(\$40.0 M)	0	(\$24.0 M)	0	(\$8.0 M)	0
2020-21		0		0		0
2021-22		0		0		0
2022-23		0		0		0
2023-24		0		0		0

Note: if the conference determines this impact will instead occur starting in 2018-19, there would be non-recurring impacts in 2018-19 of (\$39.2 M) in the high, (\$23.5 M) in the middle and (\$8.0 M) in the low. With this determination, there would be no recurring impact in any year and no other cash impact.

REVENUE ESTIMATING CONFERENCE

Tax: Insurance Premium Tax

Issue: Scholarship Credit Flexibility

Bill Number(s): Proposed Language

Issue 2 – Allowing a contribution made after the end of the tax year to be credited against an earlier estimated payment for purposes of liability for penalty or interest

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2019-20	(\$0.5 M)	(\$0.5 M)	(\$0.3 M)	(\$0.3 M)	(\$0.1 M)	(\$0.1 M)
2020-21	(\$0.5 M)	(\$0.5 M)	(\$0.3 M)	(\$0.3 M)	(\$0.1 M)	(\$0.1 M)
2021-22	(\$0.5 M)	(\$0.5 M)	(\$0.3 M)	(\$0.3 M)	(\$0.1 M)	(\$0.1 M)
2022-23	(\$0.5 M)	(\$0.5 M)	(\$0.3 M)	(\$0.3 M)	(\$0.1 M)	(\$0.1 M)
2023-24	(\$0.5 M)	(\$0.5 M)	(\$0.3 M)	(\$0.3 M)	(\$0.1 M)	(\$0.1 M)

List of affected Trust Funds: Insurance Premium Group

Section 5: Consensus Estimate (Adopted: 03/08/2019)

Timing Impact

The Conference adopted a negative indeterminate cash impact for Fiscal Year 2019-20. The rest of the impact is a +/- impact. The magnitude of the negative, indeterminate impacts in Fiscal Year 2019-20 is unknown, but could be non-trivial. For example, if estimated payments are reduced by an amount equal to 10 percent of estimated scholarship contributions from insurance premium taxpayers, the non-recurring impact to General Revenue will be a reduction of \$8.0 million in Fiscal Year 2019-20.

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2019-20	(**)	+/-	0.0	0.0	0.0	0.0	(**)	+/-
2020-21	+/-	+/-	0.0	0.0	0.0	0.0	+/-	+/-
2021-22	+/-	+/-	0.0	0.0	0.0	0.0	+/-	+/-
2022-23	+/-	+/-	0.0	0.0	0.0	0.0	+/-	+/-
2023-24	+/-	+/-	0.0	0.0	0.0	0.0	+/-	+/-

Penalties

The Conference assumes approximately 25% of the penalty base above \$25,000 would use this provision.

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2019-20	(0.1)	(0.1)	0.0	0.0	0.0	0.0	(0.1)	(0.1)
2020-21	(0.1)	(0.1)	0.0	0.0	0.0	0.0	(0.1)	(0.1)
2021-22	(0.1)	(0.1)	0.0	0.0	0.0	0.0	(0.1)	(0.1)
2022-23	(0.1)	(0.1)	0.0	0.0	0.0	0.0	(0.1)	(0.1)
2023-24	(0.1)	(0.1)	0.0	0.0	0.0	0.0	(0.1)	(0.1)

Scholarship Credits

The Conference assumes new credits will be issued annually of \$1.0 million to avoid the penalties.

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2019-20	(1.1)	(1.1)	0.0	0.0	0.0	0.0	(1.1)	(1.1)
2020-21	(1.1)	(1.1)	0.0	0.0	0.0	0.0	(1.1)	(1.1)
2021-22	(1.1)	(1.1)	0.0	0.0	0.0	0.0	(1.1)	(1.1)
2022-23	(1.1)	(1.1)	0.0	0.0	0.0	0.0	(1.1)	(1.1)
2023-24	(1.1)	(1.1)	0.0	0.0	0.0	0.0	(1.1)	(1.1)

	A	B	C	D	E	F	G	H
1							2019-20	2020-21
2	December 2018 Estimate of the Insurance Premium Tax Scholarship Credits						\$78,300,000	\$79,900,000
3								
4					Assumed percent reducing 1st or 2nd estimated payment	Non-recurring Impact if impact begins in 2018-19	Non-recurring Impact if impact begins in 2020-21	
5				High	50%	\$39,150,000	\$39,950,000	
6				Middle	30%	\$23,490,000	\$23,970,000	
7				Low	10%	\$7,830,000	\$7,990,000	
8								
9								
10	Penalties associated with underpayment of estimated payments for 2017							
11								
12						Penalties	Associated interest	
13			Greater than \$10,000		17	\$526,555	\$92,208	
14			Greater than \$25,000		12	\$392,252	\$73,090	\$465,342
15								
16						Impact		15%
17		High (Greater than 10,000)			80%	\$495,010	\$618,763	\$ 92,814
18		Middle (Greater than 10,000)			40%	\$247,505		
19		Low (Greater than 25,000)			20%	\$93,068		
20								
21								
22			Note - penalties greater than \$10,000 comprised 92.7% of all penalties for 2017					

REVENUE ESTIMATING CONFERENCE

Tax: Lottery - EETF

Issue: Lottery Games

Bill Number(s): CSHB 629/SB 1264 (Identical)

☒ **Entire Bill**

☐ **Partial Bill:**

Sponsor(s): House Gaming Control Subcommittee; Robinson
Senate General Bill; Perry

Month/Year Impact Begins: January 1, 2020

Date of Analysis: March 7, 2019

Section 1: Narrative

a. Current Law: There are two provisions of the bill:

- a. **Warning Statement:** Presently there is no legal mandate for the Department of the Lottery to include a printed warning on the face of its tickets or promotional/advertising products; nor is it required that advertisements or promotions for lottery games contain a warning statement. It has been the practice of the Department of the Lottery to include a message which promotes responsible play on its tickets, play slips, and most promotional/advertising products and encourages anyone struggling with a gambling problem to contact the 1-888-ADMIT-IT phone line.
- b. **Use of personal electronic devices in the sale and purchase of lottery games:** Current law prohibits the use of personal electronic devices in the sale and purchase of lottery games without assistance from the retailer.

b. Proposed Change: Language in the bills will require every lottery ticket sold, and every advertisement or promotion of lottery games include the statement, "WARNING: PLAYING A LOTTERY GAME CONSTITUTES GAMBLING AND MAY LEAD TO ADDICTION AND/OR COMPULSIVE BEHAVIOR. THE CHANCES OF WINNING A BIG PRIZE ARE VERY LOW."

Also, if on television, on the Internet, or in any other electronic medium, the warning is to appear in black font on a white background and occupy at least 10 percent of the surface area of the advertisement or promotion. If in print, including in a newspaper, in a magazine, or on a billboard, appear in prominent text and occupy at least 10 percent of the surface area of the advertisement or promotion. If on radio, be audibly announced at the conclusion of the advertisement or promotion.

These bills also prohibit the use of personal electronic devices to "play, store, or redeem" a lottery ticket or game. Since current law prohibits the use of personal electronic devices in the sale and purchase of lottery games without assistance from the retailer, the Lottery has not implemented any such uses.

Section 2: Description of Data and Sources

February 21, 2019 Revenue Estimating Conference

Section 3: Methodology (Include Assumptions and Attach Details)

The bills in this analysis are different than the 2017 bill (CS/CS/HB 937). Our recommended range of possible fiscal impacts is higher than our recommended range in 2017.

First, the range suggested by the Lottery for the effects (1%, 2%, 3%) of the 2017 bill was highly speculative. Lottery representatives acknowledged in their presentation in 2017 that the suggested range was not based on any research.

Second, the language of the warning label requirement is materially different and more aggressive when compared to the prior bill. There were six shorter warning statements in CS/CS/HB 937 in 2017. Those statements were to be used in equal distributions. Those warning statements averaged six words in length. The warning language in the bills in this analysis is one statement that applies to all lottery tickets, advertisements and promotions of games: "WARNING: PLAYING A LOTTERY GAME CONSTITUTES GAMBLING AND MAY LEAD TO ADDICTION AND/OR COMPULSIVE BEHAVIOR. THE CHANCES OF WINNING A BIG PRIZE ARE VERY LOW." The statement adds "and/or compulsive behavior" and changes "your odds of winning a top prize are extremely low" to "the chances of winning a big prize are very low." Taken as a whole, the longer statement could have a greater impact on a broader range of consumers.

Third, the range of fiscal impacts recommended herein is related to peer-reviewed studies of the effects of warning labels on tobacco and sugar-sweetened products. These studies are not determinative, but are suggestive of the range of potential impacts. A study by the U. of Pennsylvania on the effects of warning labels on tobacco products showed that 7.4% of affected smokers viewing text-only warning labels attempted to quit within five weeks. A study performed by the U. of Cambridge

REVENUE ESTIMATING CONFERENCE

Tax: Lottery - EETF

Issue: Lottery Games

Bill Number(s): CSHB 629/SB 1264 (Identical)

regarding the effects of text warnings on consumers of sugar-sweetened beverages found that 13.4% of the sample group subsequently refused a sugar-sweetened beverage option.

We include a 3.5% reduction as the least conservative estimate, which is 50% of the lowest of the studies.

The current bill includes a prohibition on the use of personal electronic devices to play, store, redeem, sell or purchase lottery tickets or games. This prohibition was not in the 2017 bill. The impacts of this prohibition on retailer and player participation, while potentially significant, are impossible to calculate. We do not include any estimate for such impacts in this analysis. We do note, however, that the new gaming system contract funded in 2018 provided for development of an upgraded Lottery app that has already been developed. We are currently working to determine the added cost of reprogramming the app.

We also have not yet been able to calculate the cost of replacing or labeling signs and other promotional materials at over 13,000 retailer locations and the Lottery's district and home offices.

Section 4: Proposed Fiscal Impact

Ticket Sales	Total Sales REC Feb, 2019	High (-13%)		Middle (-7%)		Low (-3.5%)	
		Total Sales	Impact to Sales	Total Sales	Impact to Sales	Total Sales	Impact to Sales
2019-20*	7,112.2	6,187.6	(924.6)	6,614.4	(497.9)	6,863.3	(248.9)
2020-21	7,224.0	6,284.9	(939.1)	6,718.4	(505.7)	6,971.2	(252.8)
2021-22	7,327.7	6,375.1	(952.6)	6,814.7	(512.9)	7,071.2	(256.5)
2022-23	7,423.9	6,458.8	(965.1)	6,904.2	(519.7)	7,164.0	(259.8)
2023-24	7,520.1	6,542.5	(977.6)	6,993.7	(526.4)	7,256.9	(263.2)

Transfer to EETF	EETF Transfers REC Feb, 2019	High (-13%)		Middle (-7%)		Low (-3.5%)	
		Transfers to EETF	Impact to EETF	Transfers to EETF	Impact to EETF	Transfers to EETF	Impact to EETF
2019-20*	1,807.1	1,572.2	(234.9)	1,680.6	(126.5)	1,743.9	(63.2)
2020-21	1,839.2	1,600.1	(239.1)	1,710.5	(128.7)	1,774.8	(64.4)
2021-22	1,864.2	1,621.9	(242.3)	1,733.7	(130.5)	1,799.0	(65.2)
2022-23	1,890.0	1,644.3	(245.7)	1,757.7	(132.3)	1,823.9	(66.2)
2023-24	1,940.9	1,688.6	(252.3)	1,805.0	(135.9)	1,873.0	(67.9)

*The table presents a full year. However, since the effective date of the bill would be January of 2020, the adopted EETF amount should be the impact to EETF above divided by two.

List of affected Trust Funds: Educational Enhancement Trust Fund

Section 5: Consensus Estimate (Adopted: 03/08/2019): The Conference adopted the low estimate.

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2019-20	0.0	0.0	(31.6)	(63.2)	0.0	0.0	(31.6)	(63.2)
2020-21	0.0	0.0	(64.4)	(64.4)	0.0	0.0	(64.4)	(64.4)
2021-22	0.0	0.0	(65.2)	(65.2)	0.0	0.0	(65.2)	(65.2)
2022-23	0.0	0.0	(66.2)	(66.2)	0.0	0.0	(66.2)	(66.2)
2023-24	0.0	0.0	(67.9)	(67.9)	0.0	0.0	(67.9)	(67.9)

REVENUE ESTIMATING CONFERENCE

Tax: Sales and Use Tax

Issue: School Sales Tax Holiday, 10 Days, \$100 Clothing/\$15 Supplies/\$1,000 Computers

Bill Number(s): SB 576

☒ **Entire Bill**

☐ **Partial Bill:**

Sponsor(s): Senator Perry

Month/Year Impact Begins: The sales tax holiday will affect August 2019 activity and, subsequently, September collections.

Date of Analysis: March 8, 2019

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:

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 for a 10-day period beginning on Friday, August 2, and ending on Sunday, August 11, 2019, as long as the sales price of the item does not exceed \$100. 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, protractors, compasses, and calculators.”

Computers: Also exempt during the 10-day period are “personal computers or personal computer-related accessories purchased for noncommercial home or personal use and having a sales price of \$1,000 or less per item.” 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.” 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, 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.

Section 2: Description of Data and Sources

- Clothing and Shoes expenditures forecast, February 2019 National Economic Estimating Conference.
- Consumer Computer expenditures forecast, February 2019 National Economic Estimating Conference.
- U.S. Population (total and 65+), 3rd Quarter estimates, February 2019 National Economic Estimating Conference.
- Florida Population (total and 65+), 3rd Quarter estimates, February 2019 Demographic Estimating Conference.
- Estimates of Florida public school enrollment, February 2019 K-12 Enrollment Estimating Conference.
- Estimates of Florida private school enrollment, Private School Annual Report 2017-2018 (Florida Department of Education). Available at <http://www.fldoe.org/schools/school-choice/private-schools/annual-reports.stml>. Last accessed 1/28/2019.
- 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 1/28/2019.
- Tax collections by kind code, Florida Department of Revenue.

Section 3: Methodology (Include Assumptions and Attach Details)

REVENUE ESTIMATING CONFERENCE

Tax: Sales and Use Tax

Issue: School Sales Tax Holiday, 10 Days, \$100 Clothing/\$15 Supplies/\$1,000 Computers

Bill Number(s): SB 576

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+), and adjusted for an assumed percentage of non-taxed mail order items. The total Florida expenditures are converted to a 10-day amount, with assumptions made for the percentage of expenditures that would be under the \$100 limit (High = 95%; Middle = 90%; and Low = 85%). For backpacks, assumptions are made for the percentage of students who would purchase a backpack (High = 30%; Middle = 20%; Low = 10%), and each backpack is assumed to cost \$25.

School Supplies: For school supplies, an amount of expenditure is assumed per student, by grade level, for 10 days, which 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 by a factor of 25% for business spending. An assumption is made for the percentage of expenditures that would be under the \$15 limit (High = 85%; Middle = 75%; and Low = 65%).

Computers: Florida expenditures are derived from total national expenditures for computers and peripherals using Florida population (adjusted for ages 65+), and adjusted for an assumed percentage of non-taxed online order items. The total Florida expenditures are adjusted for the percentage of expenditures assumed to occur during the third quarter of calendar year 2019 (=21.25%) and for the percentage of total expenditures assumed to be exempt (High = 64%; Middle and Low = 54%). An assumption is also made for the percentage of quarterly purchases that are expected to occur during the 10-day holiday period. The low estimate assumes 25% of third quarter expenditures would be made during the holiday period, the middle estimate assumes 30%, and the high estimate assumes 55%.

Section 4: Proposed Fiscal Impact: The impact is nonrecurring for FY 2019-20 only.

2019-20	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
Clothing/Shoes/Backpacks	(55.3 M)		(51.8 M)		(48.4 M)	
School Supplies	(9.4 M)		(8.6 M)		(7.8 M)	
Computers	(17.2 M)		(7.9 M)		(6.6 M)	
Total	(81.9 M)		(68.3 M)		(62.8 M)	

List of affected Trust Funds: Sales and Use Tax Grouping

Section 5: Consensus Estimate (Adopted: 03/08/2019): The Conference adopted the middle estimate.

	GR		Trust		Revenue Sharing		Local Half Cent	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2019-20	(60.5)	0.0	(Insignificant)	0.0	(2.0)	0.0	(5.8)	0.0
2020-21	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2021-22	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2022-23	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2023-24	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
2019-20	(7.7)	0.0	(15.5)	0.0	(76.0)	0.0
2020-21	0.0	0.0	0.0	0.0	0.0	0.0
2021-22	0.0	0.0	0.0	0.0	0.0	0.0
2022-23	0.0	0.0	0.0	0.0	0.0	0.0
2023-24	0.0	0.0	0.0	0.0	0.0	0.0

SB 576**Sales Tax Holiday - Clothing, School Supplies, Computers****10 Days, August 2-11, 2019**

(NONRECURRING)

		2019-20		
Expenditure Type		HIGH	MIDDLE	LOW
1	Clothing & Shoes - \$100 or Less	\$ (55.3)	\$ (51.8)	\$ (48.4)
2	School Supplies - \$15 or Less	\$ (9.4)	\$ (8.6)	\$ (7.8)
3	Personal Computers and Related Accessories - \$1000 or Less	\$ (17.2)	\$ (7.9)	\$ (6.6)
3	Total Impact	\$ (81.9)	\$ (68.3)	\$ (62.8)

**Estimates in millions of dollars*

SB 576**SALES TAX HOLIDAY - CLOTHING****10 Days
\$100 Limit**

2019-20	<u>High</u>	<u>Middle</u>	<u>Low</u>
1 National Personal Expenditure on Clothing and Shoes	410,900.0	410,900.0	410,900.0
2 Florida Share based on Population Forecast	26,455.4	26,455.4	26,455.4
3 Florida Expenditures on Apparel & Shoes (adjusted for 65+)	25,296.7	25,296.7	25,296.7
4 Est. Florida-based Sales of Apparel & Shoes (10% mail order adj.)	22,767.0	22,767.0	22,767.0
5 Sales Tax at 6%	1,366.0	1,366.0	1,366.0
6 Exempted Amount (95% - 90% - 85%)	1,297.7	1,229.4	1,161.1
7 Preliminary 10-day Fiscal Impact in Florida	(35.6)	(33.7)	(31.8)
8 Seasonal Factor set to 1 (no seasonal factor)	1.0	1.0	1.0
9 Behavioral Factor based on New York History and Florida Experience	1.5	1.5	1.5
10 Adjusted 10-day Fiscal Impact in Florida	(53.3)	(50.5)	(47.7)
11 Backpacks (30% - 20% - 10% x Number of Students x \$25/backpack))	(1.9)	(1.3)	(0.6)
12 Total Impact 10 Day	(\$55.3)	(\$51.8)	(\$48.4)

SB 576
SALES TAX HOLIDAY - SCHOOL SUPPLIES

10 Days
\$15 Limit

2019-20

Grade Level	Expenditures per Student	Number of Students	Total Expenditures
PreK	20.00	69,304	1.4
KG	20.00	235,840	4.7
1	20.00	236,175	4.7
2	20.00	236,765	4.7
3	25.00	251,811	6.3
4	27.00	240,740	6.5
5	27.00	246,629	6.7
6	32.00	257,723	8.2
7	32.00	251,086	8.0
8	32.00	254,464	8.1
9	35.00	252,576	8.8
10	35.00	245,319	8.6
11	35.00	231,317	8.1
12	35.00	221,615	7.8
Total PK-12		3,231,366	92.7
Total HigherEd	36.00	1,033,687	37.2
Total All Students		4,265,053	129.9

Advantage Buying by Business, General Public
25% Factor + 10% for Expanded List

45.5

	High	Middle	Low
Total Sales Tax for 10 Days ({85% - 75% - 65%})	(9.4)	(8.6)	(7.8)
Total Sales Tax for 10 Days	(9.4)	(8.6)	(7.8)
Total Impact 10 Day	(\$9.4)	(\$8.6)	(\$7.8)

SB 576**SALES TAX HOLIDAY - COMPUTERS****10 Days
\$1000 or Less**

2019-20	<u>High</u>	<u>Middle</u>	<u>Low</u>
1 National Consumer Expenditures on Computers	67,100.0	67,100.0	67,100.0
2 Florida Share based on Population Forecast	4,320.2	4,320.2	4,320.2
3 Florida Expenditures on Computers (adjusted for 65+)	4,131.0	4,131.0	4,131.0
4 Estimated Florida-based Sales of Computers (7% e-commerce adj.)	3,841.8	3,841.8	3,841.8
5 Annual Sales Tax at 6%	230.5	230.5	230.5
6 CY Q1 Estimate (29.78%)	68.6	68.6	68.6
7 CY Q2 Estimate (23.50%)	54.2	54.2	54.2
8 CY Q3 Estimate (21.25%)	49.0	49.0	49.0
9 CY Q4 Estimate (25.47%)	58.7	58.7	58.7
10 Exempted Amount (64% - 54% - 54%)	31.3	26.4	26.4
11 Q3 Purchases Made During 10-Day Holiday (55% - 30% - 25%)	17.2	7.9	6.6
12 Total Impact 10 Day	(\$17.2)	(\$7.9)	(\$6.6)

REVENUE ESTIMATING CONFERENCE

Tax: Sales and Use Tax

Issue: School Sales Tax Holiday, 3 Days, \$60 Clothing/\$15 Supplies/First \$1,000 Computers

Bill Number(s): Proposed Language

☒ **Entire Bill**

☐ **Partial Bill:**

Sponsor(s): N/A

Month/Year Impact Begins: The sales tax holiday will affect August 2019 activity and, subsequently, September collections.

Date of Analysis: March 8, 2019

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:

Clothing: The proposed language 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 for a 3-day period beginning on Friday, August 2, and ending on Sunday, August 4, 2019, 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, flash drives [NEW], staplers [NEW], protractors, compasses, and calculators.”

Computers: Also exempt during the 3-day period is the first \$1,000 of the sales price of “personal computers or personal computer-related accessories 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.” 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, 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.

Section 2: Description of Data and Sources

- Clothing and Shoes expenditures forecast, February 2019 National Economic Estimating Conference.
- Consumer Computer expenditures forecast, February 2019 National Economic Estimating Conference.
- U.S. Population (total and 65+), 3rd Quarter estimates, February 2019 National Economic Estimating Conference.
- Florida Population (total and 65+), 3rd Quarter estimates, February 2019 Demographic Estimating Conference.
- Estimates of Florida public school enrollment, February 2019 K-12 Enrollment Estimating Conference.
- Estimates of Florida private school enrollment, Private School Annual Report 2017-2018 (Florida Department of Education). Available at <http://www.fldoe.org/schools/school-choice/private-schools/annual-reports.stml>. Last accessed 1/28/2019.
- 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 1/28/2019.
- Tax collections by kind code, Florida Department of Revenue.
- Department of Revenue. 2017 Back-to-School Sales Tax Holiday Tax Information Publication (TIP). Available at: http://floridarevenue.com/taxes/tips/pdf/tip17a01-05_full_list.pdf. Last accessed 1/29/2019.

REVENUE ESTIMATING CONFERENCE

Tax: Sales and Use Tax

Issue: School Sales Tax Holiday, 3 Days, \$60 Clothing/\$15 Supplies/First \$1,000 Computers

Bill Number(s): Proposed Language

Section 3: Methodology (Include Assumptions and Attach Details)

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+), and adjusted for an assumed percentage of non-taxed mail order items. The total Florida expenditures are converted to a 10-day amount, with assumptions made for the percentage of expenditures that would be under the \$60 limit (High = 71%; Middle = 71%; and Low = 66%). The percentages are based on the assumptions adopted by the REC for the 2018 Back-to-School Sales Tax Holiday (CS/HB 7087; Ch. 2018-118, L.O.F.). For backpacks, assumptions are made for the percentage of students who would purchase a backpack (High = 30%; Middle = 20%; Low = 10%), and each backpack is assumed to cost \$25. Using the base 10-day matrix (which is derived from a matrix developed to estimate the impact for a prior hurricane sales tax holiday) to spread expenditures levels by each day of the forecast period, the level of spending for a 3-day holiday is derived (=62.4% of the 10-day total). The 62.4% factor is applied to the sales tax portion of 10 days of spending to estimate the impact for the 3-day holiday.

School Supplies: For school supplies (excluding staplers and flash drives), an amount of expenditures is assumed per student, by grade level, for 10 days, which 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. An assumption is made for the percentage of expenditures that would be under the \$15 limit (High = 85%; Middle = 75%; Low = 65%).

Staplers: For staplers, an estimated number of purchasers is calculated using the total number of students (High = 15%; Middle = 10%; Low = 5%). Then, a price per stapler is assumed (High = \$15; Middle = \$9; Low = \$3). The estimated total expenditure by students is increased by a factor of 25% for advantage business spending.

Flash Drives: For flash drives, an estimated number of purchasers is calculated using the total number of students in Grades 6-12 and higher education (High = 30%; Middle = 20%; Low = 10%). Then, a price per flash drive is assumed (High = \$15; Middle = \$10; Low = \$5). The estimated total expenditure by students is increased by a factor of 25% for advantage business spending.

The 62.4% factor is applied to the sales tax portion of 10 days of spending for school supplies, staplers, and flash drives to estimate the impact for the 3-day holiday.

Computers: Florida expenditures are derived from total national expenditures for computers and peripherals using Florida population (adjusted for ages 65+), and adjusted for an assumed percentage of non-taxed online order items. The total Florida expenditures are adjusted for the percentage of expenditures assumed to occur during the third quarter of calendar year 2019 (=21.25%) and for the percentage of total expenditures assumed to be exempt (High = 75%; Middle and Low = 65%). An assumption is also made for the percentage of quarterly purchases that are expected to occur during the 10-day holiday period. The low estimate assumes 25% of third quarter expenditures would be made during the holiday period, the middle estimate assumes 30%, and the high estimate assumes 55%. Based on the 2017 Department of Revenue TIP, flash drives would be included in the computers exemption authorized in the proposed language. However, for this analysis, an adjustment is made to deduct the estimated sales tax impact for flash drives from the computers exemption because the flash drives are now included in the estimated impact of the school supplies exemption. The 62.4% factor is applied to the sales tax portion of 10 days of spending to estimate the impact for the 3-day holiday.

Section 4: Proposed Fiscal Impact: The impact is nonrecurring for FY 2019-20 only.

2019-20	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
Clothing/Shoes/Backpacks	(26.1 M)		(25.7 M)		(23.5 M)	
School Supplies	(6.9 M)		(5.8 M)		(5.0 M)	
Computers	(12.0 M)		(5.7 M)		(4.9 M)	
Total	(45.0 M)		(37.2 M)		(33.4 M)	

List of affected Trust Funds: Sales and Use Tax Grouping

REVENUE ESTIMATING CONFERENCE

Tax: Sales and Use Tax

Issue: School Sales Tax Holiday, 3 Days, \$60 Clothing/\$15 Supplies/First \$1,000 Computers

Bill Number(s): Proposed Language

Section 5: Consensus Estimate (Adopted: 03/08/2019): The Conference adopted the middle estimate assuming it exempts accompanying staples.

	GR		Trust		Revenue Sharing		Local Half Cent	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2019-20	(32.9)	0.0	(Insignificant)	0.0	(1.1)	0.0	(3.2)	0.0
2020-21	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2021-22	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2022-23	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2023-24	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
2019-20	(6.0)	0.0	(10.3)	0.0	(43.2)	0.0
2020-21	0.0	0.0	0.0	0.0	0.0	0.0
2021-22	0.0	0.0	0.0	0.0	0.0	0.0
2022-23	0.0	0.0	0.0	0.0	0.0	0.0
2023-24	0.0	0.0	0.0	0.0	0.0	0.0

Proposed Language
Sales Tax Holiday - Clothing, School Supplies, Computers

3 Days, August 2-4, 2019

(NONRECURRING)

		2019-20		
Expenditure Type		HIGH	MIDDLE	LOW
1	Clothing & Shoes - \$60 or Less	\$ (26.1)	\$ (25.7)	\$ (23.5)
2	School Supplies (incl Staplers, Flash Drives) - \$15 or Less	\$ (6.9)	\$ (5.8)	\$ (5.0)
3	Personal Computers and Related Accessories - First \$1000	\$ (12.0)	\$ (5.7)	\$ (4.9)
3	Total Impact	\$ (45.0)	\$ (37.2)	\$ (33.4)

**Estimates in millions of dollars*

Proposed Language
SALES TAX HOLIDAY - CLOTHING

3 Days
\$60 Limit

2019-20	<u>High</u>	<u>Middle</u>	<u>Low</u>
1 National Personal Expenditure on Clothing and Shoes	410,900.0	410,900.0	410,900.0
2 Florida Share based on Population Forecast	26,455.4	26,455.4	26,455.4
3 Florida Expenditures on Apparel & Shoes (adjusted for 65+)	25,296.7	25,296.7	25,296.7
4 Est. Florida-based Sales of Apparel & Shoes (10% mail order adj.)	22,767.0	22,767.0	22,767.0
5 Sales Tax at 6%	1,366.0	1,366.0	1,366.0
6 Exempted Amount (71% - 71% - 66%)	969.9	969.9	901.6
7 Preliminary 10-day Fiscal Impact in Florida	(26.6)	(26.6)	(24.7)
8 Seasonal Factor set to 1 (no seasonal factor)	1.0	1.0	1.0
9 Behavioral Factor based on New York History and Florida Experience	1.5	1.5	1.5
10 Adjusted 10-day Fiscal Impact in Florida	(39.9)	(39.9)	(37.1)
11 Backpacks (30% - 20% - 10% x Number of Students x \$25/backpack))	(1.9)	(1.3)	(0.6)
12 Total Impact 3 Day (62.4% Adjustment)	(\$26.1)	(\$25.7)	(\$23.5)

Proposed Language
SALES TAX HOLIDAY - SCHOOL SUPPLIES (Incl Staplers, Flash Drives)

3 Days
\$15 Limit

2019-20

Row	Grade Level	Expenditures per Student	Number of Students	Total Expenditures
1	PreK	20.00	69,304	1.4
2	KG	20.00	235,840	4.7
3	1	20.00	236,175	4.7
4	2	20.00	236,765	4.7
5	3	25.00	251,811	6.3
6	4	27.00	240,740	6.5
7	5	27.00	246,629	6.7
8	6	32.00	257,723	8.2
9	7	32.00	251,086	8.0
10	8	32.00	254,464	8.1
11	9	35.00	252,576	8.8
12	10	35.00	245,319	8.6
13	11	35.00	231,317	8.1
14	12	35.00	221,615	7.8
15	Total PK-12		3,231,366	92.7
16	Total HigherEd	36.00	1,033,687	37.2
17	Total All Students		4,265,053	129.9
18	Advantage Buying by Business, General Public			
19	25% Factor + 10% for Expanded List			45.5
20	School Supplies	High	Middle	Low
21	Total Sales Tax for 10 Days (85% - 75% - 65%)	(9.4)	(8.6)	(7.8)
22	Staplers			
23	# Student Purchasers (15% - 10% - 5% of All Students)	639,758	426,505	213,253
24	Price per Stapler	15.00	9.00	3.00
25	Total Expenditures	9.6	3.8	0.6
26	Advantage Buying by Business, General Public - 25% Factor	2.4	1.0	0.2
27	Total Sales Tax for 10 Days	(0.72)	(0.29)	(0.05)
28	Flash Drives			
29	# Student Purchasers (30% - 20% - 10% of Grades 6-12 and Higher Ed Students)	824,336	549,557	274,779
30	Price per Flash Drive	15.00	10.00	5.00
31	Total Expenditures	12.4	5.5	1.4
32	Advantage Buying by Business, General Public - 25% Factor	3.1	1.4	0.3
33	Total Sales Tax for 10 Days	(0.93)	(0.41)	(0.10)
34	Total Sales Tax for 10 Days (School Supplies + Staplers + Flash Drives)	(11.0)	(9.3)	(7.9)
35	Total Impact 3 Day (62.4% Adjustment)	(\$6.9)	(\$5.8)	(\$5.0)

Proposed Language
SALES TAX HOLIDAY - COMPUTERS

3 Days
First \$1000

2019-20	<u>High</u>	<u>Middle</u>	<u>Low</u>
1 National Consumer Expenditures on Computers	67,100.0	67,100.0	67,100.0
2 Florida Share based on Population Forecast	4,320.2	4,320.2	4,320.2
3 Florida Expenditures on Computers (adjusted for 65+)	4,131.0	4,131.0	4,131.0
4 Estimated Florida-based Sales of Computers (7% e-commerce adj.)	3,841.8	3,841.8	3,841.8
5 Annual Sales Tax at 6%	230.5	230.5	230.5
6 CY Q1 Estimate (29.78%)	68.6	68.6	68.6
7 CY Q2 Estimate (23.50%)	54.2	54.2	54.2
8 CY Q3 Estimate (21.25%)	49.0	49.0	49.0
9 CY Q4 Estimate (25.47%)	58.7	58.7	58.7
10 Exempted Amount (75% - 65% - 65%)	36.7	31.8	31.8
11 Q3 Purchases Made During 10-Day Holiday (55% - 30% - 25%)	20.2	9.6	8.0
12 Back Out Flash Drives 10-Day Estimate	(0.93)	(0.41)	(0.10)
13 Total Impact 3 Day (62.4% Adjustment)	(\$12.0)	(\$5.7)	(\$4.9)

Back-to-School Daily Factors - based on Hurricane Sales Tax Holiday Analysis

Assume:

Depending upon what SET OF DAYS are included, the most impact will come from the weekend.

As long as an ENTIRE WEEKEND is included, the most impact will occur on Friday, Saturday and Sunday.

Weekdays add less to the impact.

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	Calibrate to 12-day holiday	Calibrate to 10-day holiday
Example:	Thursday	Friday	Saturday	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday	Monday	Tuesday	Wednesday		
14-Day Holiday	2.0%	5.5%	35.0%	20.0%	1.0%	1.0%	1.0%	1.0%	2.5%	20.0%	10.0%	1.0%	1.0%	1.0%	102.0%	105.2%
13-Day Holiday	2.0%	5.5%	35.0%	20.0%	1.0%	1.0%	1.0%	1.0%	2.5%	20.0%	10.0%	1.0%	1.0%	X	101.0%	104.1%
12-Day Holiday	2.0%	5.5%	35.0%	20.0%	1.0%	1.0%	1.0%	1.0%	2.5%	20.0%	10.0%	1.0%	X	X	100.0%	103.1%
11-Day Holiday	2.0%	5.5%	35.0%	20.0%	1.0%	1.0%	1.0%	1.0%	2.5%	20.0%	10.0%	X	X	X	99.0%	102.1%
10-Day Holiday	X	5.5%	35.0%	20.0%	1.0%	1.0%	1.0%	1.0%	2.5%	20.0%	10.0%	X	X	X	97.0%	100.0%
9-Day Holiday	X	5.5%	35.0%	20.0%	1.0%	1.0%	1.0%	1.0%	2.5%	20.0%	X	X	X	X	87.0%	89.7%
8-Day Holiday	X	X	35.0%	20.0%	1.0%	1.0%	1.0%	1.0%	2.5%	20.0%	X	X	X	X	81.5%	84.0%
7-Day Holiday	X	5.5%	35.0%	20.0%	1.0%	1.0%	1.0%	1.0%	X	X	X	X	X	X	64.5%	66.5%
6-Day Holiday	2.0%	5.5%	35.0%	20.0%	1.0%	1.0%	X	X	X	X	X	X	X	X	64.5%	66.5%
5-Day Holiday	X	5.5%	35.0%	20.0%	1.0%	1.0%	X	X	X	X	X	X	X	X	62.5%	64.4%
4-Day Holiday	2.0%	5.5%	35.0%	20.0%	X	X	X	X	X	X	X	X	X	X	62.5%	64.4%
3-Day Holiday	X	5.5%	35.0%	20.0%	X	X	X	X	X	X	X	X	X	X	60.5%	62.4%
2-Day Holiday	X	X	35.0%	20.0%	X	X	X	X	X	X	X	X	X	X	55.0%	56.7%
1-Day Holiday	X	X	35.0%	X	X	X	X	X	X	X	X	X	X	X	35.0%	36.1%

REVENUE ESTIMATING CONFERENCE

Tax: Sales and Use Tax

Issue: Disaster Preparedness Holiday (Governor's Proposal)

Bill Number(s): N/A

☒ **Entire Bill**

☐ **Partial Bill:**

Sponsor(s): N/A

Month/Year Impact Begins: The impact begins May 31, 2019 and will affect both the current year (2018-19) and FY 2019-20 because of the one-month collection lag.

Date of Analysis: March 8, 2019

Section 1: Narrative

- a. Current Law:** Under current law in Ch. 212, all of the items listed in the bill are subject to the 6% Sales and Use Tax when purchased.
- b. Proposed Change:** The bill provides an exemption from sales tax for the items listed below that are purchased during the time period from May 31 through June 6, 2019 (seven days, first day on a Friday).

Portable self-powered light source	\$ 20 or less
Portable self-powered radio, two-way radio or weather band radio	\$ 50 or less
Tarpaulin or other flexible waterproof sheeting	\$ 50 or less
Ground anchor system or tie-down kit	\$ 50 or less
Gas or diesel fuel tank	\$ 25 or less
Package of AA-cell, C-cell, D-cell, 6-volt or 9-volt batteries, excluding automobile and boat batteries	\$ 30 or less
Non-electric food storage cooler	\$ 30 or less
Reusable ice	\$ 10 or less
Portable generator	\$ 750 or less

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

Section 2: Description of Data and Sources

- Final Report on Hurricane Claims from Florida Office of Insurance Regulation (August 2006) for reported claims and total loss claims from 2004 Hurricanes Charley, Frances, Ivan, and Jeanne and 2005 Hurricanes Dennis, Katrina, Rita, and Wilma and October 20, 2008 Tropical Storm Fay Report at <http://www.flor.com/office/hurricane/season/seasoninfo.aspx>.
- Submitted claims as of February 2019 for 2016 Hurricanes Hermine and Matthew; 2017 Hurricane Irma; and 2018 Hurricane Michael at <https://www.flor.com/Sections/PandC/ProductReview/CatastropheReporting.aspx>
- Various websites for price comparisons: www.lowes.com; www.walmart.com; www.target.com; www.homedepot.com; www.bestbuy.com.
- U.S. Bureau of Labor Statistics, Consumer Expenditure Survey, 2017.
- U.S. Census Bureau, American Community Survey, 2017.
- Florida Demographic Estimating Conference, February 2019.
- Florida Economic Estimating Conference, February 2019.
- Various news articles on the 2018 hurricane impacts.

Section 3: Methodology (See attached.)

Household Purchases: A 10-day holiday impact is calculated using the estimated number of Florida households for 2019, along with the percentage of households reporting losses in the major storms occurring in 2004, 2005, 2008, 2016, and 2017 = 4.4%. The percentage of households reporting losses in 2018 (1.0%) was excluded from the calculation because the storm was concentrated in an area of the state with fewer residents. The low estimate assumes 4.4% of all Florida households would participate in the holiday. The high estimate assumes 8.5% of households would participate based on the highest reported losses in 2005. The middle estimate assumes 6.5% of households would participate.

REVENUE ESTIMATING CONFERENCE

Tax: Sales and Use Tax

Issue: Disaster Preparedness Holiday (Governor's Proposal)

Bill Number(s): N/A

An amount of tax-free expenditures is assumed for each household: High = \$198; Middle = \$138; Low = \$92. Based on the 2017 Consumer Expenditure Survey and median Florida household income, it is estimated that Florida households spend approximately \$2,406 annually (average of approximately \$6.59 per day) for miscellaneous household equipment and home maintenance, repairs, insurance, and other expenses. The high estimate assumes that an amount equivalent to 30 days of expenditures would be spent during the holiday period. The middle and low estimates assume expenditures equivalent to 21 days and 14 days, respectively. The Day-by-Day Matrix is used to adjust the 10-day holiday to a 7-day holiday (66.5% adjustment).

Portable Generators: It is assumed a certain number of portable generators will be purchased during the tax-free holiday: High = 84,167; Middle = 58,917; and Low = 37,033. These numbers represent approximately 1%, 0.7%, and 0.44% of Florida households. Additionally, a price per generator is assumed as follows: High = \$750; Middle = \$750; and Low = \$600. The Day-by-Day Matrix is used to adjust the 10-day holiday to a 7-day holiday (66.5% adjustment).

Section 4: Proposed Fiscal Impact The proposed impact is nonrecurring to FY 2018-19 and FY 2019-20.

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2018-19	-\$0.5		-\$0.3		-\$0.1	
2019-20	-\$7.7		-\$4.6		-\$2.0	
2020-21						
2021-22						
2022-23						
2023-24						

List of affected Trust Funds: Sales and Use Tax Grouping

Section 5: Consensus Estimate (Adopted 03/08/2019): The Conference adopted the middle impact, with the entire impact affecting FY 2019-20.

	GR		Trust		Revenue Sharing		Local Half Cent	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2019-20	(4.4)	0.0	(Insignificant)	0.0	(0.1)	0.0	(0.4)	0.0
2020-21	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2021-22	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2022-23	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2023-24	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
2019-20	(0.6)	0.0	(1.1)	0.0	(5.5)	0.0
2020-21	0.0	0.0	0.0	0.0	0.0	0.0
2021-22	0.0	0.0	0.0	0.0	0.0	0.0
2022-23	0.0	0.0	0.0	0.0	0.0	0.0
2023-24	0.0	0.0	0.0	0.0	0.0	0.0

Proposed Language (Governor's Proposal)
2019 Sales Tax Holiday - Disaster Preparedness

7 Days
Friday, May 31 - Thursday, June 6

1. # HOUSEHOLD PURCHASING ASSUMPTIONS:	
2004 Indices based on FINAL REPORT (4 hurricanes)	
Reported Loss % HHs	3.2%
Total Loss % HHs	2.3%
2005 Indices based on FINAL REPORT (4 hurricanes)	
Reported Loss % HHs	8.5%
Total Loss % HHs	5.8%
2008 Index based on Oct 20 2008 Report for Fay (1 storm)	
Reported Loss % HHs	2.7%
2016 Index based on Claims Data as of Jan 2018 (2 hurricanes)	
Reported Loss % HHs	2.9%
2017 Index based on Claims Data as of Nov 2018 (1 hurricane)	
Reported Loss % HHs	4.8%
Average Reported Loss %	4.4%

2. AVAILABLE CASH FOR PURCHASES ASSUMPTIONS:					Methodology for HH Income
Using Florida After-Tax Income per Household					Florida Median HH income is based on the 2017 American Community Survey reported Florida median HH income in the last 12 months (\$64,003). This value is grown by the Feb 2019 Florida Economic Estimating Conference growth in Personal Income. The growth rates are: 2018 5.0% 2019 4.4% Ratio of Avg Annual Expenditures to Income Before Taxes, 2017 CES (81.63%) is used to produce after-tax income.
(2017 American Community Survey: Florida)					
Median Florida Household After-Tax Income		FY 2016-17	FY 2017-18	FY 2018-19	
		\$52,248	\$54,860	\$57,274	
Using average annual expenditures from the 2017 Consumer Expenditure Survey, all consumer units:		Fla \$ per HH	Fla \$ per HH	Fla \$ per HH	
<u>Shares of expenditures:</u>					
Food & alcoholic beverage		14.60%	\$7,628	\$8,010	
Housing (includes * below)		34.00%	\$17,764	\$18,652	
Apparel & services		2.60%	\$1,358	\$1,426	
Transportation		17.60%	\$9,196	\$9,655	
Health care		8.70%	\$4,546	\$4,773	
Entertainment		5.10%	\$2,665	\$2,798	
All others		17.40%	\$9,091	\$9,546	
*Maintenance, repairs, insurance & other expenses		2.60%	\$1,358	\$1,426	
*Miscellaneous household equipment		1.60%	\$836	\$878	
*Maintenance, repairs, insurance & other expenses					
*Miscellaneous household equipment					
HIGH = Assume 8.5% of households purchase exempt items equivalent to approximately 30 days of spending.					
MIDDLE = Assume 6.5% of households purchase exempt items equivalent to approximately 21 days of spending.					
LOW = Assume 4.4% of households purchase exempt items equivalent to approximately 14 days of spending.					

3. PORTABLE GENERATOR ASSUMPTIONS:	
Assume 1% of Florida households purchase a tax-exempt generator at \$750 per generator.	
Assume 0.7% of Florida households purchase a tax-exempt generator at \$750 per generator.	
Assume .44% of Florida households purchase a tax-exempt generator at \$600 per generator.	

Estimate for 7-Day Holiday			
	Household Purchases		
	<u>High</u>	<u>Middle</u>	<u>Low</u>
	\$198.00	\$138.00	\$92.00
	8,416,658	8,416,658	8,416,658
	715,416	547,083	370,333
	\$ 141.7	\$ 75.5	\$ 34.1
	\$ (8.5)	\$ (4.5)	\$ (2.0)
	\$ (5.7)	\$ (3.0)	\$ (1.3)
	Sales Tax for 10-Day Holiday		
	Sales Tax for 7-Day Holiday (66.5% Adjustment)		
	Portable Generators		
	<u>High</u>	<u>Middle</u>	<u>Low</u>
	\$ 750	\$ 750	\$ 600
	84,167	58,917	37,033
	\$ 63.1	\$ 44.2	\$ 22.2
	\$ (3.8)	\$ (2.7)	\$ (1.3)
	\$ (2.5)	\$ (1.9)	\$ (0.8)
	Sales Tax for 10-Day Holiday		
	Sales Tax for 7-Day Holiday (66.5% Adjustment)		
	Total Estimated Impact (7-day)		
	\$ (8.2)	\$ (4.9)	\$ (2.1)
TOTAL IMPACT FY 2018-19			
TOTAL IMPACT FY 2019-20			
	-\$0.5	-\$0.3	-\$0.1
	-\$7.7	-\$4.6	-\$2.0

REVENUE ESTIMATING CONFERENCE

Tax: Sales and Use Tax

Issue: Exemptions for Independent Living Items

Bill Number(s): SB 176 – Proposed Amendment

☒ **Entire Bill**

☐ **Partial Bill:**

Sponsor(s): Senator Berman, The Committee on Finance and Tax

Month/Year Impact Begins: January 1, 2020

Date of Analysis: 03/08/2019

Section 1: Narrative

- a. Current Law:** Current law provides for an exemption on medical equipment in certain circumstances. DOR works in conjunction with DBPR and DBPR's Drugs and Cosmetics Division to certify exempt items, published on the DR-46NT. Also exempt are prosthetic or orthopedic appliances dispensed by prescription written by a licensed practitioner. Building contractors are considered the end user of items purchased to be affixed to real property and pay sales tax on these purchases.
- b. Proposed Change:** The proposed amendment to Senate Bill 176 provides a sales tax exemption for items that assist in independent living when purchased for a noncommercial home or personal use. These items include: bed transfer handles, bed rails, grab bars, and shower seats. The exemption is under "Account of Use." The exemption does not apply to a purchase made by a business. The proposed amendment sets price ceilings for each item as follows:

Item	Maximum Price (\$)
Bed Transfer Handles	60
Bed Rails	110
Grab Bars	100
Shower Seats	100

Section 2: Description of Data and Sources

SB 1448 Impact Analysis, February 2, 2018 Revenue Estimating Conference,

<http://edr.state.fl.us/Content/conferences/revenueimpact/archives/2018/pdf/Impact0202.pdf>

Retail prices from CVS.com, homedepot.com, lowesforpros.com

Florida Demographic Estimating Conference, Population Database, February 2019.

Smith, Stanley K.; House, Mark, Snowbirds, Sunbirds, and Stayers: Seasonal Migration of Elderly Adults in Florida, Journal of Gerontology: Social Sciences, v. 61B, No 5, S232-S239, 2006, e-mail correspondence from BEBR dated 10/23/2013,

<https://www.bebbr.ufl.edu/sites/default/files/Research%20Reports/J%20Geront%202006%20%28Elder%20Migr%29.pdf>.

Department of Revenue, Nontaxable Medical Items and General Grocery List, DR-46NT, R 01/18,

http://floridarevenue.com/Forms_library/current/dr46nt.pdf and emails and phone conversations dated 1/14/2019-1/16/2019.

U.S. Census Bureau, American Community Survey 2017, Public Use Microdata Sample population and housing files, custom tabulations by EDR.

Section 3: Methodology (Include Assumptions and Attach Details)

This analysis is based on the REC impact of SB 1448 adopted on February 2, 2018. SB 176 – Proposed Amendment does not appear to limit the exemption to a certain age group and does not seem to require any documents as proof of assisting independent living. The bill is silent on whether only residents are eligible. The bill specifies allowable maximum prices and precludes purchases by businesses. The methodology includes determination of an eligible population and assumptions about number of items purchased and frequency of purchases.

A population estimate of the Florida resident population¹ was reduced by using definitions and applying estimated shares from EDR tabulations of U.S. Census Bureau microdata². First, the Florida resident population was reduced to exclude those in institutions and

¹ Florida Demographic Estimating Conference, November 2018.

² U.S. Census Bureau, American Community Survey 2017, Public Use Microdata Sample population and housing files, custom tabulations by EDR.

REVENUE ESTIMATING CONFERENCE

Tax: Sales and Use Tax

Issue: Exemptions for Independent Living Items

Bill Number(s): SB 176 – Proposed Amendment

in group quarters and to include only those 5 and over since disability status for the types of disabilities of interest in this analysis is determined for persons five years and older. Second, the resulting population was reduced to include only those who own a home since some of the items have to be affixed to real property. Third, the share of this population with a self-care or ambulatory difficulty (disability) was identified by disability. “Self-care difficulty” is defined by the U.S. Census Bureau as having difficulty dressing or bathing and “ambulatory difficulty” is defined as having difficulty walking or climbing stairs. To produce a total eligible disabled population with one or the other difficulty, estimates for the eligible population with the above two difficulties were unduplicated to include those who have both disabilities only once.

Estimates of the snowbird population (defined as those 55 and over who spend one month or more in Florida, mostly in the winter) were reduced to include only those who stay in a residence that they own in Florida and are in fair or poor health³. EDR estimates assume that snowbirds today have the same ratio to the resident population 55 and over, own a secondary residence at the same rate, and rate their health similarly as they did in 2005. Snowbirds are assumed not to purchase bed transfer handles and bed rails as even the ones in “fair or poor health” are presumed likely to be in better health than their resident peers and thus not in need of such items since they are able to travel and stay away from home for extended periods of time. However, snowbirds are assumed to be likely to purchase the remaining items on the list even if just for convenience and safety.

This analysis assumes that the bill exempts only the items explicitly listed. Of the listed items, bed transfer handles and bed rails sales are assumed to be 75% percent prescribed by a doctor, while the sales of the remaining items are assumed to be 15% prescribed by a doctor and thus already exempt from sales tax as medical items. This analysis assumes that none of the items are currently exempt on DR-46NT. These assumptions are based on discussions of the rules with the Florida Department of Revenue. The assumed percentages that are purchased out of pocket for these items were then applied to the average expenditure to reduce the expenditure by those items purchased that would have been already exempt from sales tax if purchased through a prescription. The analysis uses the maximum set by the amendment as the average price for each item as the price research conducted by EDR supports this. Averages of prices collected through internet searches are shown in the worksheet for informational purposes only.

The analysis assumes that only the resident population with a self-care difficulty would be purchasing the bed transfer handles and the bed rails since this population has more significant difficulties with the activities of daily living. The remaining items are assumed to be purchased by the population with a self-care and ambulatory difficulty (total, unduplicated) and the snowbird population.

Section 4: Proposed Fiscal Impact

The FY 2019-20 cash impact reflects a January 1, 2020 effective date and thus a five-month impact.

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2019-20			(1.4)	(3.4)		
2020-21			(3.5)	(3.5)		
2021-22			(3.5)	(3.5)		
2022-23			(3.6)	(3.6)		
2023-24			(3.6)	(3.6)		

³ Smith, Stanley K.; House, Mark, Snowbirds, Sunbirds, and Stayers: Seasonal Migration of Elderly Adults in Florida, Journal of Gerontology: Social Sciences, v. 61B, No 5, S232-S239, 2006, e-mail correspondence from BEBR dated 10/23/2013, <https://www.bibr.ufl.edu/sites/default/files/Research%20Reports/J%20Geront%202006%20%28Elder%20Migr%29.pdf>, accessed on 1/16/2019.

REVENUE ESTIMATING CONFERENCE

Tax: Sales and Use Tax

Issue: Exemptions for Independent Living Items

Bill Number(s): SB 176 – Proposed Amendment

List of affected Trust Funds: Sales and Use Tax

Section 5: Consensus Estimate (Adopted: 03/08/2019): The Conference adopted an adjusted proposed estimate that assumes the prices to be 10% less than the maximum prices.

	GR		Trust		Revenue Sharing		Local Half Cent	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2019-20	(1.1)	(2.7)	(Insignificant)	(Insignificant)	(Insignificant)	(0.1)	(0.1)	(0.3)
2020-21	(2.7)	(2.7)	(Insignificant)	(Insignificant)	(0.1)	(0.1)	(0.3)	(0.3)
2021-22	(2.9)	(2.9)	(Insignificant)	(Insignificant)	(0.1)	(0.1)	(0.3)	(0.3)
2022-23	(2.9)	(2.9)	(Insignificant)	(Insignificant)	(0.1)	(0.1)	(0.3)	(0.3)
2023-24	(2.9)	(2.9)	(Insignificant)	(Insignificant)	(0.1)	(0.1)	(0.3)	(0.3)

	Local Option		Total Local		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2018-19	(0.1)	(0.3)	(0.3)	(0.7)	(1.4)	(3.4)
2019-20	(0.3)	(0.3)	(0.7)	(0.7)	(3.4)	(3.4)
2020-21	(0.4)	(0.4)	(0.7)	(0.7)	(3.6)	(3.6)
2021-22	(0.4)	(0.4)	(0.7)	(0.7)	(3.6)	(3.6)
2022-23	(0.4)	(0.4)	(0.8)	(0.8)	(3.7)	(3.7)

	A	B	C	D	E	F	G	H
1	Proposed Amendment to Senate Bill 176, 2019 Session							
2								
3	Florida: Residents	FY18-19	ACS PUMS shares*					
4	Florida resident population (FDEC201811)	21,099,422						
5	Non-institutional, non-group quarters population	20,668,929	98%					
6	Owns a home	13,368,159	65%					
7	Non-institutional, non-group quarters population 5 years and over	12,795,557	96%					
8	With a self-care difficulty	367,687	2.9%					
9	With an ambulatory difficulty	1,041,430	8.1%					
10	With a self-care OR ambulatory difficulty (unique persons)	1,088,777	8.5%					
11	Non-institutional, non-group quarters population 5 to 59 years	8,279,664	65%					
12	With a self-care difficulty	119,333	1.4%					
13	With an ambulatory difficulty	280,787	3.4%					
14	With a self-care OR ambulatory difficulty (unique persons)	306,278	3.7%					
15	Non-institutional, non-group quarters population 60 years and over	4,515,893	35%					
16	With a self-care difficulty	248,354	5.5%					
17	With an ambulatory difficulty	760,643	16.8%					
18	With a self-care OR ambulatory difficulty (unique persons)	782,499	17.3%					
19	*U.S. Census Bureau, American Community Survey 2017, Public Use Microdata Sample population and housing files, custom tabulations by EDR.							
20								
21	Florida: Snowbirds							
22	Snowbirds in own accomodations, rent or own (55 years and over, at winter peak stay)	981,494						
23	Own a secondary resident in FL	804,825						
24	Rate their health as fair or poor	96,579						
25	Source: Smith, Stanley K.; House, Mark, Snowbirds, Sunbirds, and Stayers: Seasonal migration of elderly adults in Florida, Journal of Gerontology: Social Sciences, v. 61B, No 5, S232-S239, 2006.							
26								
27	Total eligible population (unique persons):		1,185,356					
28	- Total Florida residents with a self-care or ambulatory difficulty (unique persons)							
29	- Snowbirds in fair or poor health							
30								
31	Average Price (For informational purposes only)		\$ 62.71	\$ 113.84	\$ 72.00	\$ 98.80		
32	Maximum Price per Proposed Amendment		\$ 60.00	\$ 110.00	\$ 100.00	\$ 100.00		
33	# of Items Purchased Per Person		1	1	4	1		
34	Years Between Purchases		7	7	10	7		
35	Covered by Medicare (likely to be bought exempt with RX)		w/hos.bed	w/hos.bed	N	N		
36	Exempt on DR-46NT		N	N	N	N		
37	Tax Exempt under 212.08 (2) (a) prosthetic and orthopedic appliances with Rx		Y	Y	Y	Y		
38	Advantage Buy				19.6%	19.6%		
39	Percent bought with an RX or already exempt		75%	75%	15%	15%		
40	Disability		Self-care	Self-care	Self-care Ambulatory	Self-care Ambulatory		
41	Snowbirds		N	N	Y	Y		
42								
43	converted to millions							
44	Taxable Purchases	\$ 0.8	\$ 1.4	\$ 40.3	\$ 14.4			
45								
46								
47	Total Taxable Purchases	\$ 56.9 million	Adopted	\$ 51.2				
48								
49	Fiscal Year	19/20	20/21	21/22	22/23	23/24		
50	Total Taxable Purchases (Millions)	\$ 56.9						
51	Sales Tax	\$ (3.4)	\$ (3.5)	\$ (3.5)	\$ (3.6)	\$ (3.6)		
52	Growth of population 5+ (FDEC)	1.6%	1.5%	1.5%	1.4%	1.3%		
53	Date of analysis: 3/8/2019							

REVENUE ESTIMATING CONFERENCE

Tax: Sales and Use Tax

Issue: Local Surtax Election Timing and Approval

Bill Number(s): CS/HB 5

☒ **Entire Bill**

☐ **Partial Bill:**

Sponsor(s): Local, Federal and Veteran Affairs Subcommittee, DiCeglie

Month/Year Impact Begins: Upon becoming law

Date of Analysis: 03/06/2019

Section 1: Narrative

- a. Current Law:** Under current law, elections for proposed discretionary sales surtaxes authorized under s. 212.055, F.S., that require voter approval are not restricted to a specific voting day or election. Such proposals require approval of a majority of the qualified electors voting on the ballot question for passage.

Section 212.055(10), F.S., requires an independent certified public accountant (CPA) to conduct a performance audit of the program associated with the proposed surtax. The Office of Program Policy Analysis and Government Accountability (OPPAGA) shall procure a CPA. A completed audit must be available on the official website of the county or school district at least 60 days before a referendum is held.

- b. Proposed Change:** The bill requires that a referendum to adopt or amend a local government discretionary sales surtax be held only at a general election and require the approval of two-thirds of the qualified electors voting on the ballot question.

The performance audit provisions are amended to:

1. Require a county or school district to notify OPPAGA after the adoption of an ordinance and do so at least 180 days before the referendum is held.
2. Specify that OPPAGA procure a CPA within 30 days of receiving notification from a county or school district.

The bill establishes that a referendum is void if the county or school district fails to notify OPPAGA at least 180 days before the referendum is held or if the performance audit is not completed and available on the official website of the county or school district at least 60 days before the referendum is held.

Initiatives

The bill provides that procedures that must be followed if the proposal to adopt a discretionary sales surtax is by initiative. The petition sponsor must, at least 180 days before the proposed referendum, comply with all of the following:

1. Provide the proposed referendum to the governing body of the county, which shall make the proposed referendum available on its official website.
2. Notify OPPAGA of the proposed referendum. OPPAGA must procure a CPA to conduct a performance audit within 30 days of receiving notification.
3. File the initiative and its valid signatures with the supervisor of elections, who must verify and retain signatures as required under s. 100.371(3), F.S.

The bill establishes that an initiative is void if the petition sponsor fails to comply with the requirements stated above.

The bill provides that the amendments to the performance audit provisions, s. 212.055(11), F.S., apply to referenda held on or after January 1, 2020.

Section 2: Description of Data and Sources

N/A

Section 3: Methodology (Include Assumptions and Attach Details)

The recommended revenue impact of the bill is zero. The bill creates new constraints on a counties ability to adopt or amend discretionary sales surtaxes. These constraints do not directly impact current baseline revenue forecasts because they are based on current law and current administration and do not contain assumptions regarding future surtax enactments. Future revenue impacts from proposed adoptions of or amendments to discretionary sales surtaxes that could pass under current statutory authority may not occur because of the existence of the changes proposed by the bill.

REVENUE ESTIMATING CONFERENCE

Tax: Sales and Use Tax

Issue: Local Surtax Election Timing and Approval

Bill Number(s): CS/HB 5

Section 4: Proposed Fiscal Impact

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2019-20			0	0		
2020-21			0	0		
2021-22			0	0		
2022-23			0	0		
2023-24			0	0		

List of affected Trust Funds:

Section 5: Consensus Estimate (Adopted: 03/08/2019): The Conference adopted the proposed estimate.

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2019-20	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2020-21	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2021-22	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2022-23	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2023-24	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

REVENUE ESTIMATING CONFERENCE

Tax: Sales and Use Tax/Motor Fuel Tax

Issue: Fencing, Building Materials and Fuel

Bill Number(s): Proposed Language

☒ **Entire Bill**

☐ **Partial Bill:**

Sponsor(s): N/A

Month/Year Impact Begins: July 1, 2019

Date of Analysis: March 8, 2019

Section 1: Narrative

- a. Current Law:** Florida law currently allows a refund of sales and use tax paid on fencing materials used in the repair of farm fences and building materials that become a component part of the repair of a nonresidential farm building damaged as a direct result of the impact of Hurricane Irma located on land classified as agricultural land by the county property appraiser. This refund is available if the materials were purchased during the period of September 10, 2017 through May 31, 2018. Florida law currently allows any person who purchased tax-paid fuel from September 10, 2017 through June 30, 2018 and used the fuel to transport agricultural products to an agricultural processing or storage facility to apply for a refund.
- b. Proposed Change:** The proposed language would apply the same current law refund provisions to materials purchased to repair fencing and non-residential farm buildings from October 10, 2018 through June 30, 2019 for fences and nonresidential farm buildings damaged by Hurricane Michael. The proposed language would also apply the same current law refund on fuel used for agricultural shipments to motor fuel purchases made from October 10, 2018 through June 30, 2019.

Section 2: Description of Data and Sources

Department of Revenue Refund Data:

Form DR-26SIAG Application for Refund - Certain Farming Materials Damaged by Hurricane Irma

Form DR-26IF Application for Refund - Fuel Used for Agricultural Shipments

2018 Ad Valorem Tax Roll Data

Section 3: Methodology (Include Assumptions and Attach Details)

This estimate was able to use the data from the refunds that were in effect under the current law provisions to estimate the expected refunds under the proposed language. All counties in the state placed into 5 groups; Individual Assistance, Public Assistance, Panhandle, Irma SUT Refund, and Rest of State. The Irma SUT Refund group is based on the counties that had farms with requested refunds for the fencing or building materials. The refund data from the Sales and Use Tax refund for certain building materials does not differentiate between fencing and building materials. The Motor Fuel Tax refund data only provides total refund amounts requested and total amounts approved.

Sales and Use Tax Refunds Based Impact:

The refunds refund amounts were converted into an implied tax base of refunds by dividing by the 6% Sales and Use Tax rate. The implied bases were used to calculate a ratio of requested and approved refunds relative to the value of Improvements and Special Features on Ag Parcels for the Irma SUT Refund group. This ratio was then applied to the value of Improvements and Special Features on Ag Parcels for the Individual Assistance, Public Assistance, and Panhandle county groups. The ratio of requested refunds is used as the high estimate and the ratio of approved refunds is used as the low estimate. Adjustments for percent of value and storm intensity are made to reflect some of the differences between Hurricane Irma and Hurricane Michael. The refund will occur during the 2019-20 fiscal year and the cash is equal to the recurring.

Motor Fuel Tax Refund Based Impact:

The Motor Fuel Tax Refund will be applied statewide as is the case in current law. The total refunds requested and approved are used as the high and low starting points, respectively. The effective period of the current law was 293 days and the effective period of the proposed language is 263 days. The total refunds applied for is reduced by the ratio of current law days to proposed language days. The impact is increased to reflect the possibility of increased participation or awareness due to prior experience with the current law refund.

REVENUE ESTIMATING CONFERENCE

Tax: Sales and Use Tax/Motor Fuel Tax

Issue: Fencing, Building Materials and Fuel

Bill Number(s): Proposed Language

Section 4: Proposed Fiscal Impact

Sales and Use Tax Impact

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2019-20	\$(0.2 M)	\$(0.2 M)			\$(0.1 M)	\$(0.1 M)
2020-21						
2021-22						
2022-23						
2023-24						

Motor Fuel Tax Impact

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2019-20	\$(1.0 M)	\$(1.0 M)			\$(0.9 M)	\$(0.9 M)
2020-21						
2021-22						
2022-23						
2023-24						

List of affected Trust Funds:

Sales and Use Tax

Motor Fuel Tax

Section 5: Consensus Estimate (Adopted: 03/08/2019): The Conference adopted the low estimate.

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2019-20	(0.1)	0.0	(0.6)	0.0	(0.3)	0.0	(1.0)	0.0
2020-21	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2021-22	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2022-23	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2023-24	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Sales and Use Tax Refund Fencing and Building Materials

	A	B	C	D	E
1	Summary of Refunds for Certain Farming Materials Damaged by Hurricane Irma				
2	Includes both Materials for Fencing and Non-residential Farm Buildings				
3		Refund Amounts	Base Amounts		
4	Amount of Refunds requested	\$ 681,719	\$ 11,361,981		
5	Amount of Refunds Approved	\$ 390,505	\$ 6,508,420		
6	Average Amount Requested	\$ 10,175	\$ 169,582		
7	Average Amount Approved	\$ 5,828	\$ 97,141		
8	Number of Refunds	67			
9					
10	Improvements & Special Features on Ag Parcels from 2018 Tax Roll Data				
11	County Groups		Irma SUT Refund		
12	Imp. & Spec. Feat. Ag Parcels		\$ 1,900,879,192		
13	Number of Farms (2012)		16,281		
14	% refunds Irma SUT Refund				
15	Tax Base of \$ Requested		0.598%		
16	Tax Base of \$ Approved		0.342%		
17	Refunds vs. Number of Farms		0.412%		
18					
19	County Groups	Individual Assistance	Public Assistance	Panhandle	
20	Imp. & Spec. Feat. Ag Parcels	\$ 269,143,810	\$ 184,513,778	\$ 140,209,870	
21	Number of Farms (2012)	3,872	3,991	3,346	
22					
23	SUT Tax Base of Potential Refunds Based on Irma Refunds % of Ag Parcel Improvements and Special Features				
24	County Groups	Individual Assistance	Public Assistance	Panhandle	Total
25	High Estimate	\$ 1,608,733	\$ 1,102,880	\$ 838,066	\$ 3,549,678.80
26	Low Estimate	\$ 921,521	\$ 631,757	\$ 480,065	\$ 2,033,342.60
27					

Sales and Use Tax Refund Fencing and Building Materials

	A	B	C	D	E
28	Adjustments for different nature of Storm Impacts				
29	% of Value Affected	100%	50%	5%	
30	Storm Intensity	100%	1%	0%	
31					
32	Adjusted SUT Tax Base of Potential refunds				
33	County Groups	Individual Assistance	Public Assistance	Panhandle	Total
34	High Estimate	\$ 3,217,465.66	\$ 562,468.89	\$ 41,903.29	\$ 3,821,837.84
35	Low Estimate	\$ 1,843,042.81	\$ 322,195.90	\$ 24,003.23	\$ 2,189,241.94
36					
37	Applied 6% Sales Tax Rate				
38	County Groups	Individual Assistance	Public Assistance	Panhandle	Total
39	High Estimate	\$ 193,047.94	\$ 33,748.13	\$ 2,514.20	\$ 229,310.27
40	Low Estimate	\$ 110,582.57	\$ 19,331.75	\$ 1,440.19	\$ 131,354.52
41					
42					
43	Proposed Revenue Impact				
44		High		Low	
45	Year	Cash	Recurring	Cash	Recurring
46	2019-20	\$ (0.2 M)	\$ (0.2 M)	\$ (0.1 M)	\$ (0.1 M)
47	2020-21				
48	2021-22				
49	2022-23				
50	2023-24				

Motor Fuel Tax Refund

	A	B	C	D	E
1	Summary of Refunds for Fuel Used for Agricultural Shipments				
2	2018 Refund Applied to Fuel Used for Agricultural Shipments from 9/10/2017 through 6/30/2018				
3		Refund Amounts			
4	Amount of Refunds requested	\$ 938,000			
5	Amount of Refunds Approved	\$ 836,172			
6	Average Amount Requested	\$ 21,318			
7	Average Amount Approved	\$ 19,004			
8	Number of Refunds	44			
9	Number of Eligible Days	293			
10					
11	Refund Period for Proposed Language 10/10/2018 through 6/30/2019				
12	Number of Eligible Days	263			
13					
14	Adjustments				
15	Increased Awareness/Participation	20%			
16	Shorter Eligible Period	89.8%			
17					
18	Impact Estimate				
19		Individual Assistance			
20	High Estimate (Requested)	\$ 1,010,351			
21	Low Estimate (Approved)	\$ 900,669			
22					
23					
24	Proposed Revenue Impact				
25		High		Low	
26	Year	Cash	Recurring	Cash	Recurring
27	2019-20	\$ (1.0 M)	\$ (1.0 M)	\$ (0.9 M)	\$ (0.9 M)
28	2020-21				
29	2021-22				
30	2022-23				
31	2023-24				