

# BRIEFING

## Session Spotlight



### COMPARING THE \$389 MILLION HOUSE TAX CUT PACKAGE WITH THE \$148 MILLION SENATE PROPOSAL

MARCH 2018

**THE HOUSE UNVEILED ITS 2018 TAX CUT PACKAGE (HB 7087)** almost a month ago, while the Senate's did not appear until week 8 of the session when it was amended onto SB 620 in the Appropriations Committee.

The full House has approved its bill, but the Senate has not yet taken up its package. The bills have a lot of similarities, but there are big differences that will have to be negotiated before a final tax cut package is approved.

The House bill is much larger, containing \$140.3 million in one-time tax reductions and \$249.1 million in recurring cuts. This includes \$33.7 million in one-time local revenue reductions and \$11.9 million in recurring local cuts. The Senate bill contains \$88.0 million in one-time tax reductions and \$60.4 million in recurring cuts. This includes \$25.7 million in one-time local revenue reductions and \$6.5 million in recurring local cuts. The House Ways & Means Chair said on the floor that, due to new priorities (spending for school safety), the final tax package will likely be smaller than the current House package.

Most of the changes are relatively small, and include sales, property, corporate income, documentary stamp, and fuel taxes. The House cuts includes \$149.2 million that are not traditional tax cuts, but are tax credits for contributions to state scholarship programs.

Both bills include the Florida TaxWatch priorities of reducing the Business Rent Tax, and the creating of Back to School and Disaster Preparedness sales tax holidays. For more information see our [BRT report](#) and our [2017 follow up](#). Also, see why Florida TaxWatch [supports sales tax holidays](#).

The following is a description of the various tax reduction provisions, showing what is included in both bills, what tax reductions are in both bills with some differences and what is only in the House or Senate bill.

### PROVISIONS INCLUDED IN BOTH BILLS

#### SALES TAX

**Electric Generators** – A temporary exemption for generators used by nursing homes or assisted living facilities would apply to purchases made between July 1, 2017 and December 31, 2018 and would be limited to a maximum of \$15,000 in tax for any one facility. Following the electrical outages after Hurricane Irma, the state required these facilities to purchase sufficient generators.

#### **Tax Savings**

**FY2018-19 – \$6.7 million**  
**Recurring – \$0**

## **CORPORATE INCOME TAX**

***Community Contribution Tax Credit Program (CCTCP)*** – A one-time additional tax credit totaling \$6.5 million is created for projects that provide homeownership opportunities for low-income households or persons with special needs. This is on top of the annual cap of \$14.0 million for the CCTCP.

### ***Tax Savings***

**FY2018-19 – \$0**

**FY2019-20 – \$6.5 million (one-time)**

## **PROPERTY TAX**

***Citrus Processing Equipment*** – Equipment that is idle as a result of citrus greening or Hurricane Irma would be assessed at no more than salvage value for the 2018 tax year only. The state will reimburse fiscally constrained counties for lost property tax revenue from this and the above homestead relief.

### ***Tax Savings***

**FY2018-19 – \$10.5 million**

**Recurring – \$0**

***Multi-parcel Buildings*** – Prohibits separate property tax or non-ad valorem assessments against the land upon which the multiple parcel building is located. Instead, the just value of the land must be allocated among the parcels in the same proportion as the value of each parcel's improvements to the total value of all the improvements in the building.

### ***Tax Savings***

**FY2018-19 – indeterminate**

**Recurring – indeterminate**

***Save Our Homes (SOH) Portability*** - The owner of the homestead property that was significantly damaged by a tropical storm or hurricane would be allowed to keep their SOH benefit if they move to a new homestead by the end of the year following the storm.

### ***Tax Savings***

**FY2018-19 – \$0**

**Recurring: – \$1.2 million**

## ***Surviving Spouses of Disabled Ex-Military***

***Servicemembers*** - The requirement that the unremarried surviving spouse of a disabled exservicemember be married for at least 5 years on the date of the ex-servicemember's death in order to be entitled to the current \$5,000 property tax exemption would be eliminated.

### ***Tax Savings***

**FY2018-19 – \$0.1 million**

**Recurring – \$0.1 million**

## **DOCUMENTARY STAMP TAX**

***Spousal Homestead Transfers*** – An exemption from documentary stamp taxes would be created for the transfer or conveyance of homestead property, or any interest therein, between spouses. The exemption applies if the only consideration for the transfer is the amount of the lien on the property and the document is recorded within one year after marriage. There is currently only an exemption for a conveyance prior to the dissolution of a marriage.

### ***Tax Savings***

**FY2018-19 – \$1.5 million**

**Recurring – \$1.5 million**

## ***Loans issued by Local Housing Finance***

***Authorities*** - An exemption from documentary stamp taxes would be created for any note or mortgage given in connection with a loan made by or on behalf of a housing finance authority.

### ***Tax Savings***

**FY2018-19 – \$0.5 million**

**Recurring – \$0.5 million**

## **FUEL TAXES**

### ***Fuel Used for Agricultural Shipment after***

***Hurricane Irma*** – A refund of state and local taxes imposed on motor and diesel fuel would be provided for fuel that is used for the transportation of agricultural products from the farm to a facility used to process, package, or store the product. This refund of previously paid taxes applies to purchases made between September 10, 2017, and June 30, 2018.

### ***Tax Savings***

**FY2018-19 – \$3.7 million**

**Recurring – \$0**

**Exported Motor Fuels** – An exemption from motor fuel taxes would be provided for certain terminal suppliers who resell motor fuel for immediate export from the state.

***Tax Savings***

**FY2018-19 – less than \$50,000**

**Recurring – less than \$50,000**

## PROVISIONS IN BOTH BILLS, BUT WITH DIFFERENCES

### SALES TAX

**Business Rent Tax (BRT)** – The House would reduce the sales tax on leases of commercial property from 5.8 percent to 5.5 percent, beginning January 1, 2019. The 2017 Legislature reduced the tax from 6.0 percent to 5.8 percent. The reduction/elimination of the BRT is a top Florida TaxWatch priority. Florida is only state that levies this tax, creating a government-mandated increase in occupancy costs of up to 7.5 percent, which does not exist in other states.

***Tax Savings***

**FY2018-19 – \$38.7 million**

**Recurring – \$92.9 million**

**Senate Difference:** Reduces rate from 5.8 percent to 5.7 percent

***Tax Savings***

**FY2018-19 – \$12.9 million**

**Recurring – \$31.0 million**

**Back to Schools Sales Tax Holiday** - The House would establish a 10-day period (August 3-12, 2018) during which certain items would be exempt from state and local sales taxes. The exempt items are: clothing, footwear, wallets and bags, that cost \$60 or less per item; schools supplies costing \$15 or less per item; and the first \$1,000 of the sales price of personal computers and related accessories purchased for noncommercial, home use. This is a one-time event, but this the ninth year in a row (and the 17<sup>th</sup> of the last 21 years) that the Legislature passed a “nonrecurring” Back to School Sales Tax Holiday.

***Tax Savings***

**FY2018-19 – \$63.3 million**

**Recurring – \$0**

**Senate Differences:** 3-day period (August 3-5), no exemption for computers and accessories

***Tax Savings***

**FY2018-19 – \$32.7 million**

**Recurring – \$0**

### ***Disaster Preparedness Sales Tax Holiday***

The House would create three seven-day sales tax holidays in May, June, and July. The following items (and price limits) would be exempt: portable self-powered light sources (\$20) and radios (\$50); tarps and waterproof sheeting (\$50); ground anchor systems (\$50); gas tanks (\$25); batteries (\$30), nonelectric coolers (\$30); portable generators (\$750); and reusable ice (\$10).

***Tax Savings***

**FY2018-19 – \$12.2 million**

**Recurring – \$0**

**Senate Difference:** One holiday from June 1-7

***Tax Savings***

**FY2018-19 – \$5.8 million**

**Recurring – \$0**

**Agricultural Hurricane Recovery** – To help agriculture with hurricane recovery expenses, a temporary sales tax exemption and refund system would be created for materials used to repair fencing damaged by Irma and building materials to repair nonresidential farm buildings. The House defines “fencing materials” as hog wire and nylon mesh used for protection from predatory animals and barbed wire fencing, and includes gates and materials used to construct or repair such fencing, used on a beef or dairy cattle farm. Both exemptions would apply from September 10, 2017 to May 31, 2018.

***Tax Savings***

**FY2018-19 – \$11.5 million**

**Recurring – \$0**

**Senate Difference:** Does not define “fencing materials,” so is presumably broader

***Tax Savings***

**FY2018-19 – \$11.6 million**

**Recurring – \$0**

## SALES TAX/CORPORATE INCOME TAX

***Brownfields Tax Credit*** – The House would provide a one-time, \$13 million additional tax credit authorization, created for FY 2018-19 to fund the backlog of tax credit applications. These credits encourage site rehabilitation in brownfield areas and voluntary cleanup of certain other types of contaminated sites.

### ***Tax Savings***

**FY2018-19 – \$13.0 million**

**Recurring – \$0**

***Senate Difference:*** One-time \$11.0 million increase

### ***Tax Savings***

**FY2018-19 – \$11.0 million**

**Recurring – \$0**

## FINES

***Traffic Fines*** – The House proposes a reduction of 18 percent on the civil penalty for a noncriminal traffic infraction would be provided if the person elects to attend driver improvement school, effective July 1, 2108. This reduction was recommended by Governor Scott.

### ***Tax Savings***

**FY2018-19 – \$3.1 million**

**Recurring – \$3.6 million**

***Senate Difference:*** Effective January 1, 2019

### ***Tax Savings***

**FY2018-19 – \$1.4 million**

**Recurring – \$3.6 million**

## **PROVISIONS IN HOUSE BILL ONLY**

## SALES TAX

### ***Gardiner Scholarship and Florida Tax Credit***

***Scholarship programs*** – Credits against sales tax liabilities would be created for contributions to the Florida Tax Credit Scholarship (FTCS) Program and the Gardiner Scholarship Program (GSP). The FTCS was established to encourage taxpayers to make private voluntary contributions to award scholarships to low-income students for private school tuition, fees or transportation expenses (for travel outside the district). There are already credits allowed for corporate income, insurance premium, severance and alcoholic beverage taxes. These credits are currently capped at \$698 million and the cap will rise to \$874 million next year. The GSP reimburses parents of children with disabilities for purchases of items or services related to the child's education. The annual cap on the new sales tax credits would be \$154 million and unused credits may be carried-forward 10 years.

### ***Tax Savings***

**FY2018-19 – \$144.1 million**

**Recurring – \$139.2 million**

### ***Sales Tax Collection Allowance for Direct***

***Pay Permit Holders*** - Current law authorizes a collection allowance for sales tax dealers (including direct pay permit holders) as compensation for the expenses of timely reporting and remitting of sales taxes. The collection allowance is limited to 2.5 percent of the first \$1,200 of the tax due, not to exceed \$30 in any filing period. Direct pay permit holders using tax credits under the Florida Tax Credit Scholarship Program often are unable to take a dealer collection allowance because "the amount of tax due" may be zero. The taxpayer would now be able to keep the allowance.

### ***Tax Savings***

**FY2018-19 – \$0.1 million**

**Recurring – \$0.1 million**

## **CORPORATE INCOME TAX**

***Florida Tax Credit Scholarship*** - An eligible contribution must be made on or before the date that the taxpayer is required to file a corporate income tax. This would allow a contribution to be made after a taxable year is complete but would allow the credit to be taken against that taxable year. Provisions are included to prevent a taxpayer from using credits to avoid penalties and interest associated with under payment of tentative final taxes and to ensure that the credit is added in the applicable tax year and does not result in a duplicate addition in a subsequent year. In addition, the period for which unused credits may be carried forward would be extended from five to ten years and the need to apply for carry forwards is eliminated. Corporate income tax payers would also be allowed to use credits earned against any estimated payments due instead of only against the next estimated payment due following the contribution.

### ***Tax Savings***

**FY2018-19 – \$10.0 million**

**Recurring – \$10.0 million**

(Note: The above savings are for the timing of the credit, there is an additional indeterminate impact for the increase in the carryforward period.)

## **PROPERTY TAX**

***Homestead Property Damaged by Hurricanes Hermine, Matthew or Irma*** - If a residential improvement is rendered uninhabitable for at least 30 days due to a hurricane that occurred during the 2016 or 2017 calendar year, a tax credit against property taxes levied in 2019 would be granted. The amount of the credit reflects the value of the homestead structure for the time that it was uninhabitable.

### ***Tax Savings***

**FY2018-19 – \$0.0 million**

**FY2018-19 – \$12.9 million (one-time)**

## **PROVISIONS IN SENATE BILL ONLY**

## **SALES TAX**

***Donations to Charities*** – A sales tax exemption would be created for tangible personal property that was purchased for resale but was subsequently donated to a tax-exempt entity.

### ***Tax Savings***

**FY2018-19 – \$2.7 million**

**Recurring – \$6.5 million**

***Wholesalers of Recyclable Materials*** – “Recyclable Material Merchant Wholesalers” (NAICS code 423930) would be added to the industries exempted from the tax on electricity or steam used to operate machinery. Roll-off containers purchased by these businesses would also be exempt from sales taxes. These businesses engage in the merchant wholesale distribution of automotive scrap, industrial scrap, and other recyclable materials.

### ***Tax Savings***

**FY2018-19 – \$1.2 million**

**Recurring – \$1.2 million**

## **PROPERTY TAX**

### ***Agricultural Land Damaged by Hurricanes*** -

Allows certain lands classified as agricultural for tax purposes to continue to be classified as such for 5 years after being damaged by a natural disaster. The assessment applies retroactively to lands damaged by a natural disaster that occurred on or after July 1, 2017.

### ***Tax Savings***

**FY2018-19 – \$0**

**Recurring – \$0 million**

## **DOCUMENTARY STAMP TAX**

***Disaster Loans*** – Loans made by Florida Small Business Emergency Loan Program or the Agricultural Economic Development Program would be exempt from documentary stamp taxes.

### ***Tax Savings***

**FY2018-19 – indeterminate**

**Recurring – indeterminate**



## **FUEL TAX**

***Aviation Fuel Tax*** – Commercial carriers would get a 1.42 percent credit on their aviation fuel taxes. The tax was reduced from 6.9 to 4.27 cents per gallon last year, effective July 1, 2019, in a revenue neutral change, coupled with the repeal of an exemption for certain carriers than met employment criteria. **(Note: a provision to lower the rate to 2.85 cents per gallon was removed from the House bill on the floor.)**

### ***Tax Savings***

**FY2018-19 – \$0**

**Recurring – \$14.1 million**

***Natural Gas Fuel*** - Provides for a 5-year delay of the imposition of natural gas fuel taxes that would otherwise go into effect January 1, 2019.

### ***Tax Savings***

**FY2018-19 – \$0.2 million**

**Recurring – \$0.7 million**

## **LICENSE TAX**

***Truck License Taxes*** - The number of trucks that qualify for a lower-cost agricultural restricted license plate would be increased by removing the restriction that the truck only be operated with 150 miles of its home address.

### ***Tax Savings***

**FY2018-19 – less than \$50,000**

**Recurring – less than \$50,000**

## **NOTES**

The bills also have some tax administrations provisions that have no revenue impact or an insignificant impact. These include provision dealing with property owned by the Florida Governmental Utility Authority, condo association appeals, on-line marketplace contractors and expanding the authorized uses of the local infrastructure sales tax. The bills also appropriate \$1.0 million for administrative costs and to reimburse fiscally constrained counties for some of the property tax revenue loss.

It appears that the final tax package will be smaller than the current House tax package. The state response to the tragedy at Marjorie Stoneman High School, including \$400 million in appropriations, understandably reduces the dollars available for tax cuts. Florida TaxWatch recommends that, within available revenue, the tax cut priorities should be a significant reduction in the Business Rent Tax, the sales tax holidays and hurricane tax relief. Florida TaxWatch also recommends that the Legislature include language (SB 826) to increase the independence and effectiveness of the Taxpayers' Rights Advocate. SB 826 has passed all its committee unanimously. Putting it to the tax package would be a way to add another taxpayer benefit without increasing the tax package's price tag. For more information on this legislation see this Florida TaxWatch report.

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