



Senator George S. LeMieux
Chairman of the Board of Trustees

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Comments to the Honorable Jackie Toledo, Chair, and members of the House Local Administration and Veterans Affairs Subcommittee regarding HB 1387 --- Determinations for Tax Exemptions

My name is Dominic M. Calabro and I am President and CEO of Florida TaxWatch, an independent, nonpartisan, nonprofit, research institute & government watchdog that, for more than 42 years, has worked hard to improve the effectiveness, efficiency, and accountability of Florida government and promote a fair and equitable system of taxation.

Florida's taxation of government-owned property when it is leased by a non-government entity is complex and conflicting and falls well short of the goals for good tax policy, including fairness, simplicity, transparency, and ease of administration. It has been shaped more by the courts than the Legislature.

The question of how (or whether) to tax this property has been "dealt with by the Florida Constitution, the legislature, and the courts in a somewhat confusing manner" for more than sixty years. Two ongoing court cases in Hillsborough County highlight the need for legislative clarification.

The 2021 Florida TaxWatch report [*Calling for Clarity: Florida's Confusing and Conflicting Scheme for Taxing Government Leaseholds Needs Legislative Attention*](#) concluded that the current system of taxation raises numerous questions/issues that need to be addressed, including unequal application, what should be exempt/taxable, and which tax should apply (real or intangible property.) Further, a reading of the statutes does not give taxpayers a clear understanding of the law, and perhaps most importantly, the evolving legal interpretation does not appear to match legislative intent. The report recommended the Legislature undertake a comprehensive overhaul of the law governing the taxation of governmental leaseholds with a special focus on what should be exempt, making sure the law clearly represents its intent (whatever that may be). HB 1387 is a good start.

The bill helps clarify what constitutes an exempt governmental purpose at a public airport, a spaceport, or a deepwater port. It also provides that when an exemption for leasehold interest is granted, unless the lessee changes the use of the property, that exemption must remain valid for the term of the lease, including extensions that were contemplated in the original lease. This is important for the stability of the operations of the taxpayer providing the aviation, airport, aerospace, maritime, or port purpose.

It is vital that taxpayers can easily understand their tax obligations under the law, and Florida's current statutory law on governmental leaseholds does not provide this important safeguard.

We look forward to working with you and your colleagues on this and other tax issues as we continue to make improvements to Florida's tax policies.