Report and Recommendations of the Florida Tangible Personal Property Tax Task Force

November 2011

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The ad valorem taxation of tangible personal property (TPP) in Florida raises approximately $1.8 billion for counties, cities, schools and special districts. It is a relatively small part of Florida's $25 billion property tax system, but it plays an important role in many local governments' financial structure, especially small counties where TPP comprises a significant portion of the tax roll.

However, many believe that the tax is costly for Florida businesses to comply with and for government to administer, that there is a lack of uniformity to its application to taxpayers in different areas of the state, and that the current system allows for significant tax avoidance. And perhaps most importantly, there is a perception that the tax stands as an impediment to capital formation and job creation in our state.

As part of his focus on job creation and enhancement of Florida's competitiveness, Governor Rick Scott wanted to examine tangible personal property taxation in Florida, focusing on whether a reduction or elimination of the tax could provide a boost to economic development. He asked former state senator and Sarasota real estate developer Pat Neal to lead the effort and asked Florida TaxWatch to carry out the research.

To this end, Florida TaxWatch, under the guidance of Chairman Neal, formed the Florida Tangible Personal Property Task Force. The task force is comprised of business leaders, property appraisers, and tax practitioners. The mission of the task force was to examine TPP taxation in Florida, issue a report, and make recommendations to the Governor and the Florida Legislature.

This is the final report of the Florida Tangible Personal Property Task Force. It was presented to the Governor on September 2, 2011. *(Postscript: On October 12, 2011, the Governor released his 2012 Job Creation and Economic Growth Agenda* which recommends that the *Legislature place a constitutional amendment on the ballot that will completely exempt any business with less than $50,000 in tangible personal property from paying TPP taxes.)*

Executive Summary

The ad valorem taxation of tangible personal property (TPP) in Florida raises approximately $1.8 billion for counties, cities, schools and special districts. It is a relatively small part of Florida's $25 billion property tax system (7.5 percent), but it plays an important role in many local governments' financial structure.

Many believe that the tax is costly for Florida businesses to comply with and for government to administer, that there is a lack of uniformity to its application to taxpayers in different areas of the state, and that the current system allows for significant tax avoidance. While these are important issues, the focus of this report is whether the tax stands as an impediment to capital formation and job creation in our state or if the repeal or reduction of the tax would spur economic development.

There are a multitude of variations on how states tax TPP. Fourteen states at least substantially exempt business property from taxation. No southeastern state exempts TPP, indicating an exemption could be an incentive for businesses to locate in Florida.

Property taxes are now by far businesses' number one tax expense nationwide, comprising 36 percent of total state and local taxes. This is even truer in Florida, which has the fourth highest reliance on property taxes for it state and local taxes in the nation. Further, Florida's property tax system shifts billions of dollars in tax burden from homestead property to non-homestead property.

Elimination of TPP taxes would affect local governments in various counties very differently. While larger counties tend to have a smaller portion of their tax rolls comprised of TPP (less than 5.5 percent in the three largest counties), smaller rural counties rely heavy on the tax. Three counties have more than 40% of their tax base made up by TPP. While some of the larger, more prosperous counties could probably absorb lost TPP taxes, it would create some real problems for many smaller, fiscally constrained counties.

In addition, local governments' property tax bases have already declined by 21% since 2007 and the state has also seen its revenues shrink for several years. The Legislature would have to find an additional $780 million in state money to replace the lost funding for schools—or raise taxes—to avoid a reduction in education funding.

For all these reasons, the Task Force concluded that, while the total repeal of tangible personal property (TPP) taxes in Florida would likely create a significant added attraction for businesses that are considering locating here, the current environment is certainly not favorable for reducing the revenue of schools and local governments by $1.8 billion.

Instead of trying to totally eliminate TPP taxes now, the state should look at providing target economic development exemptions from TPP taxes that can promote capital investment in Florida and create jobs. Exempting all manufacturing and the state's Qualified Targeted Industries would probably provide the most "bang for the buck." Only ten counties have a manufacturing share that exceeds three percent of taxable value and only four counties have a target industry share above two percent.

Florida TaxWatch performed economic simulation modeling of five TPP tax reduction options. Full repeal of TPP taxes could create, depending on how local governments dealt with the revenue loss, as many as 100,000 total jobs over ten years. The loss of government jobs could reduce that total, depending on the extent to which local governments had to reduce spending.

Narrower exemptions for manufacturing and the target industries (both the state's Qualified Targeted Industries and high-impact sectors) were also modeled. All of these scenarios showed positive growth in private sector employment and gross domestic product. Assuming the likely outcome that most counties will replace the lost revenue of the less costly exemptions, exempting both manufacturing and target industries shows the most private- sector jobs, the most total jobs and largest GDP increase over the ten-year period of the simulation. Compared to total repeal, this narrower exemption produces more jobs relative to the size of the tax reduction.

The expectation that reducing or eliminating TPP taxes would attract more businesses to locate in Florida was also examined. This is a likely scenario since Florida would become the only state in the southeast to exempt TPP. If this exemption led to an increase in Florida manufacturing jobs of only one to three percent (3,000 to 9,000 jobs), between 88,300 and 220,400 additional jobs would be created over ten years. This is between 35,000 and 60,000 more jobs than would be created by the influx of the same number of new jobs allocated to all industries (instead of just manufacturing).

In summary, the Florida Tangible Personal Property Tax Task Force recommends that the Legislature:

- Pass a joint resolution proposing a constitutional amendment to go before the voters in November 2012 that gives the Legislature flexibility in the area of taxation of tangible personal property.

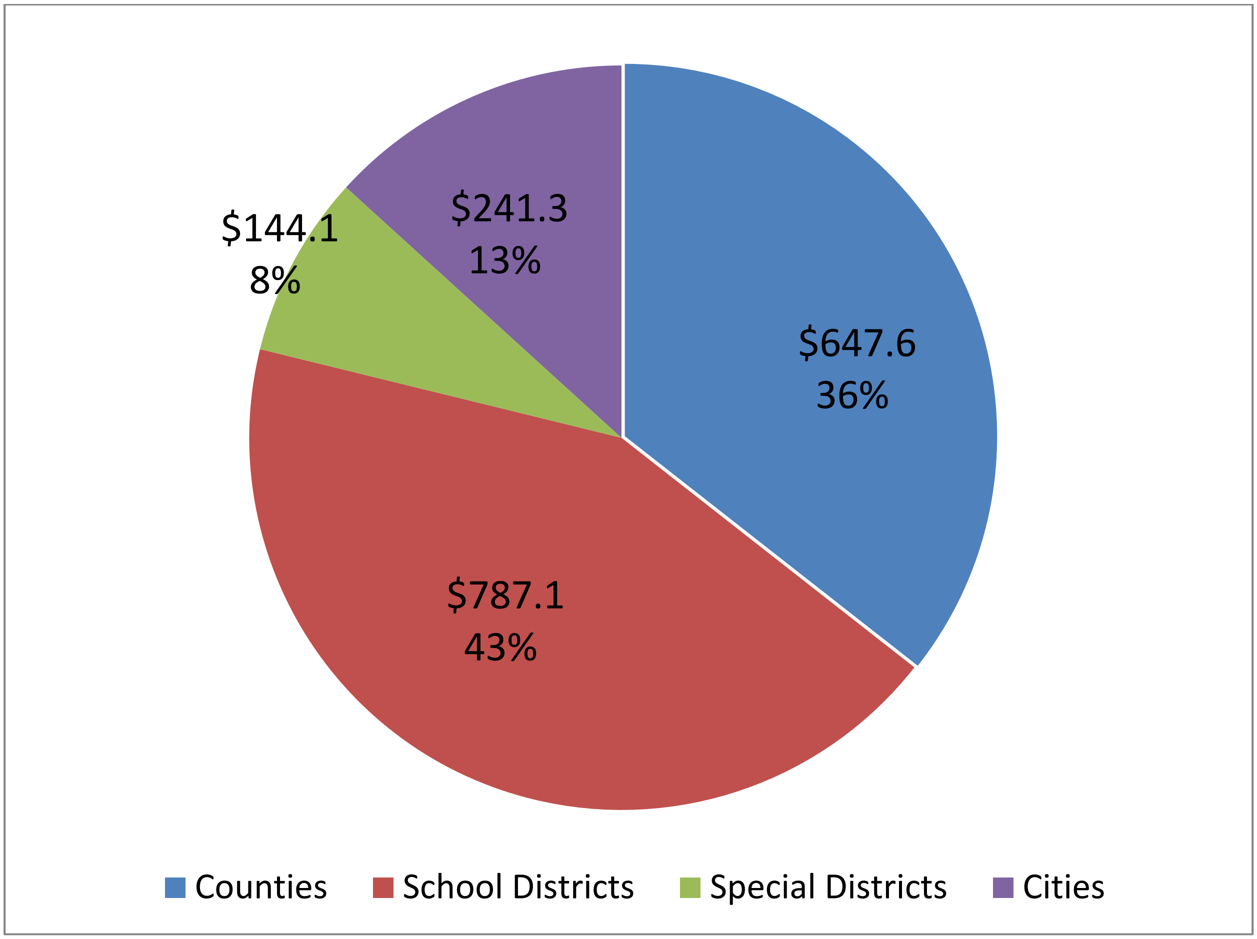
- In the short term, create TPP tax exemptions for all manufacturers and other state targeted industries and high impact sectors. At a minimum, the state should exempt new and expanding businesses in these areas, but strive to provide full exemptions for these sectors.

- The legislature could allow for local governments—by referendum--to “opt-out”, or continue to tax TPP. Alternatively, the state could consider reimbursing local governments—particularly fiscally constrained counties-- for lost revenue.

- The Legislature should set a goal of total elimination of ad valorem taxation of tangible personal property in the future, when property values are growing at a significant level again.

Where the $1.8 Billion in TPP Taxes Go

(million $)



Source: Florida TaxWatch, using data from the Florida Department of Revenue, August 2011.

Introduction

What is Personal Property?

A general definition of personal property is property that is not attached to the land and can therefore be moved from place to place.

There are four classes of personal property in Florida[1]:

Household goods - wearing apparel, furniture, appliances, and other items ordinarily found in the home and used for the comfort of the owner and his or her family, household goods are not held for commercial purposes or resale.

Intangible Personal Property – money, all evidences of debt owed to the taxpayer, all evidences of ownership in a corporation or other business organization having multiple owners, and all other forms of property where value is based upon that which the property represents rather than its own intrinsic value

Inventory – consisting of items commonly referred to as goods, wares, and merchandise which are held for sale or lease to customers in the ordinary course of business

Tangible Personal Property – all goods, chattels, and other articles of value capable of manual possession and whose chief value is intrinsic to the article itself.

The first three categories--household goods, inventory, and intangible personal property--are exempt from taxation in Florida; only tangible personal property is subject to taxation.

What is Taxed as Tangible Personal Property?

Generally, the tangible personal property (TPP) tax is paid by businesses on their machinery, equipment, furniture, computers, signs, supplies, and other such property.

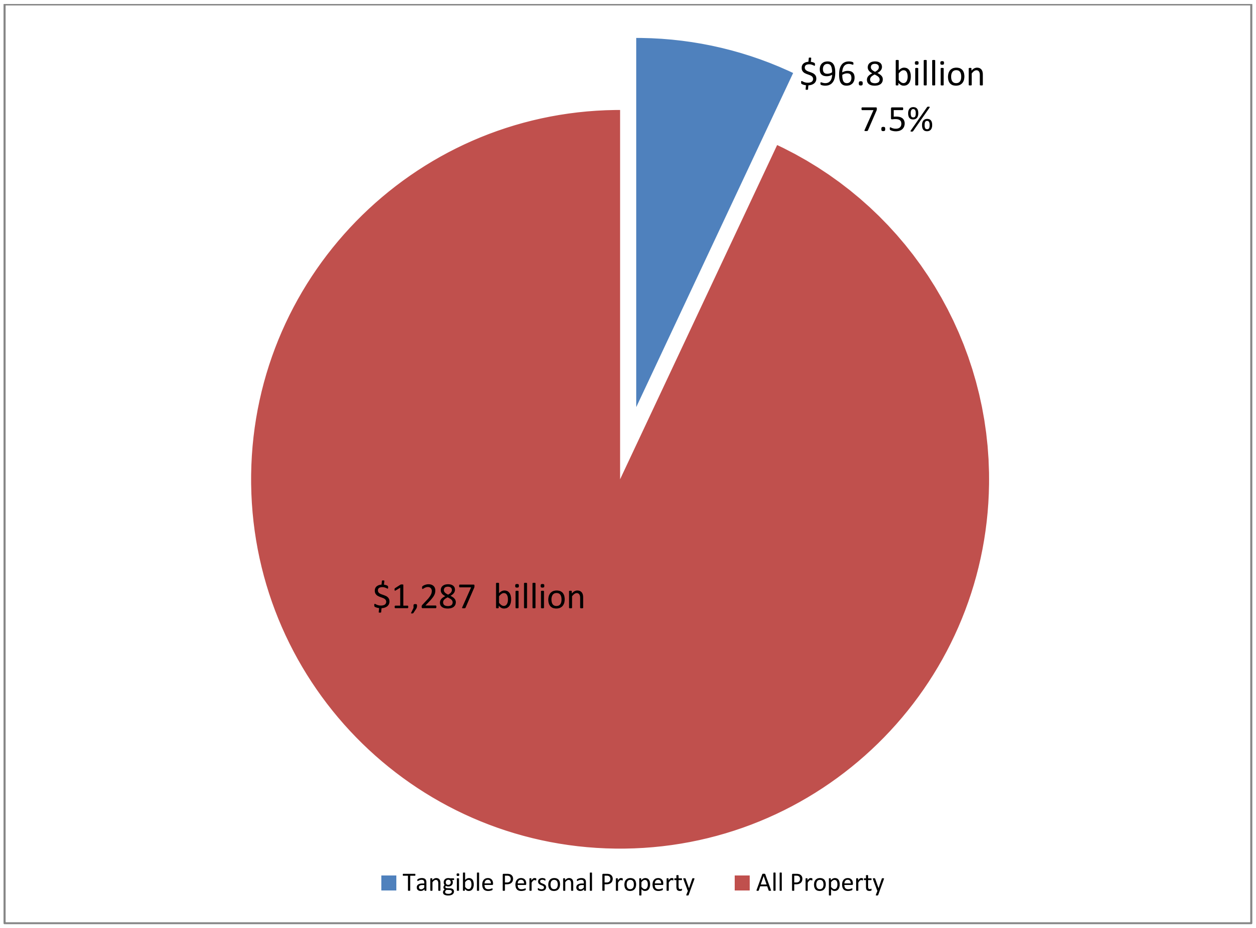
Motor vehicles, boats, airplanes, trailers, trailer coaches, and mobile homes are subject to a license tax but are not subject to ad valorem taxes. Mobile homes fixed to the ground are

[1] http://dor.myflorida.com/dor/property/resources/definitions.html

treated as real property. However, mobile homes not fixed to the ground and not having a license can be taxed as TPP.

TPP Comprises 7.5% of Total State Taxable Value

2011



Source: Florida TaxWatch, using data from the Florida Department of Revenue, August 2011.

The *Florida Constitution* provides that there must be an exemption for household goods of at least $1,000[2]. The *Florida Statutes* provide that household goods are not TPP[3].

The *Florida Constitution* also provides that inventory ("property held for sale as stock in trade")[4] may be exempt or taxed at a specified percentage of its value. *Florida Statutes* provide that inventory is not TPP[5].

[2] Article VII, Section 3(b), Florida Constitution
[3] Section 192.001 (11)(d), Florida Statutes

Tangible Personal Property Taxation in Florida

TPP taxes are ad valorem (property) taxes levied annually by local governments and school districts based its value as of January 1 of each year. It is taxed like real property, with the *Florida Constitution* providing the framework and the details spelled out in statute.

The *Florida Constitution* prohibits the state government from levying an ad valorem tax except on intangible personal property.[6] Intangible personal property taxes were phased-out, beginning in 1998 and the annual tax was finally completely repealed[7] effective January 1, 2007.

The taxable value of TPP is the just value (fair market value) of the property adjusted for any exclusions, differentials, or exemptions allowed by the constitution and the statutes. The C*onstitution* strictly limits the legislature's authority to provide exemptions or adjustments to fair market value.

The tax rate is the same millage rate levied by counties, cities, school districts, and special districts on real property.

TPP taxpayers are required to file tax returns in the county where the property is located, a separate return for each location in the county.

Annual tax bills are mailed in November based on the previous January 1 valuation and payment is due by the following March 31. Discounts are granted for early payment and most taxpayers pay by late November.

In 1980, counties and cities were given authority to enact ad valorem exemptions for new and expanding businesses. The exemptions must be approved by referendum of the local voters. The exemptions expire in 10 years unless renewed by another referendum.

All TPP taxpayers (except mobile homes) receive a $25,000 exemption which was created as part of Amendment 1 in 2008.[8] There are 1.24 million accounts. Approximately one million (80

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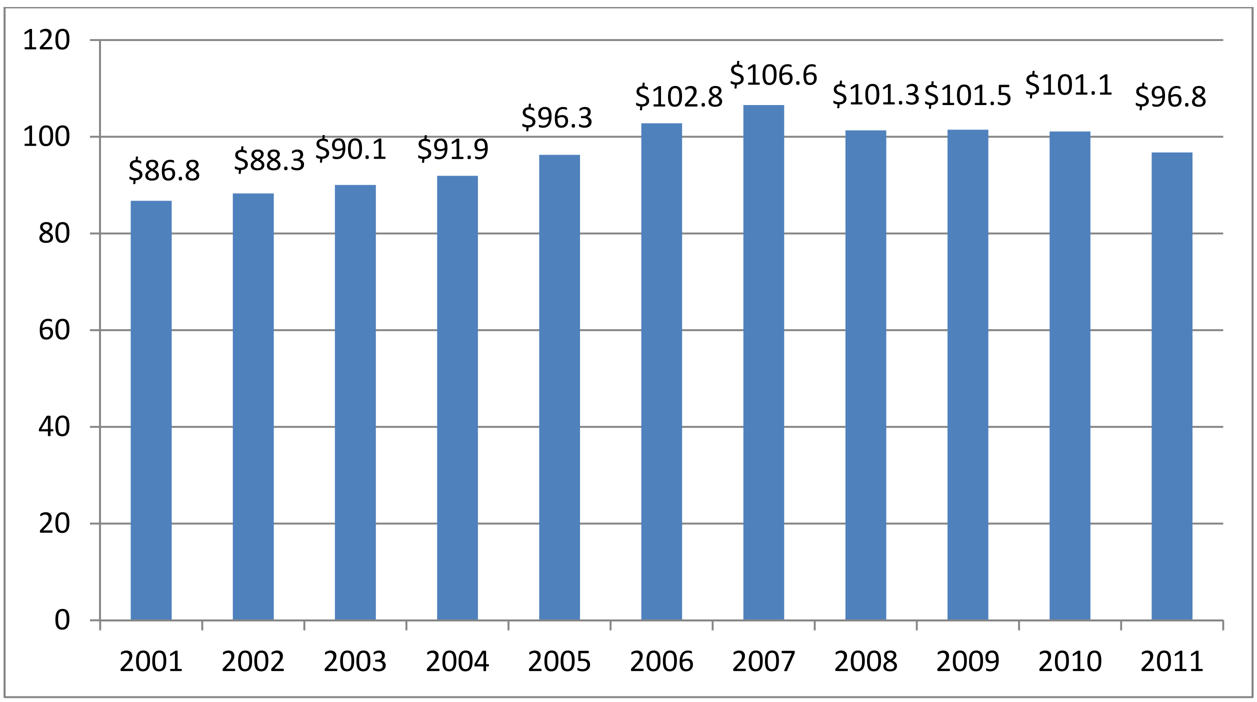
[4] Article VII, Section 4(c), Florida Constitution
[5] Section 192.001 (11)(d), Florida Statutes
[6] Article VII, Section 1(a), Florida Constitution
[7] There is still a 2 mill one-time tax is imposed on obligations for the payment of money secured by liens on Florida real property. This is still called the intangibles tax.
[8] Amendment 1 was approved by the voters in 2008 and provided the TPP exemption, along with an additional homestead exemption, a 10% assessment cap on non-homestead properties and allowed the portability of benefits earned under Save Our Homes.

percent) are totally exempt by the $25,000 exemption. But while the great majority of businesses have no tax liability, the exemption reduces total levies by only seven percent.

TPP taxes raised $1.8 billion in 2011 (see chart on page 2).

Taxable Value of TPP 2001-2011

(billion $)



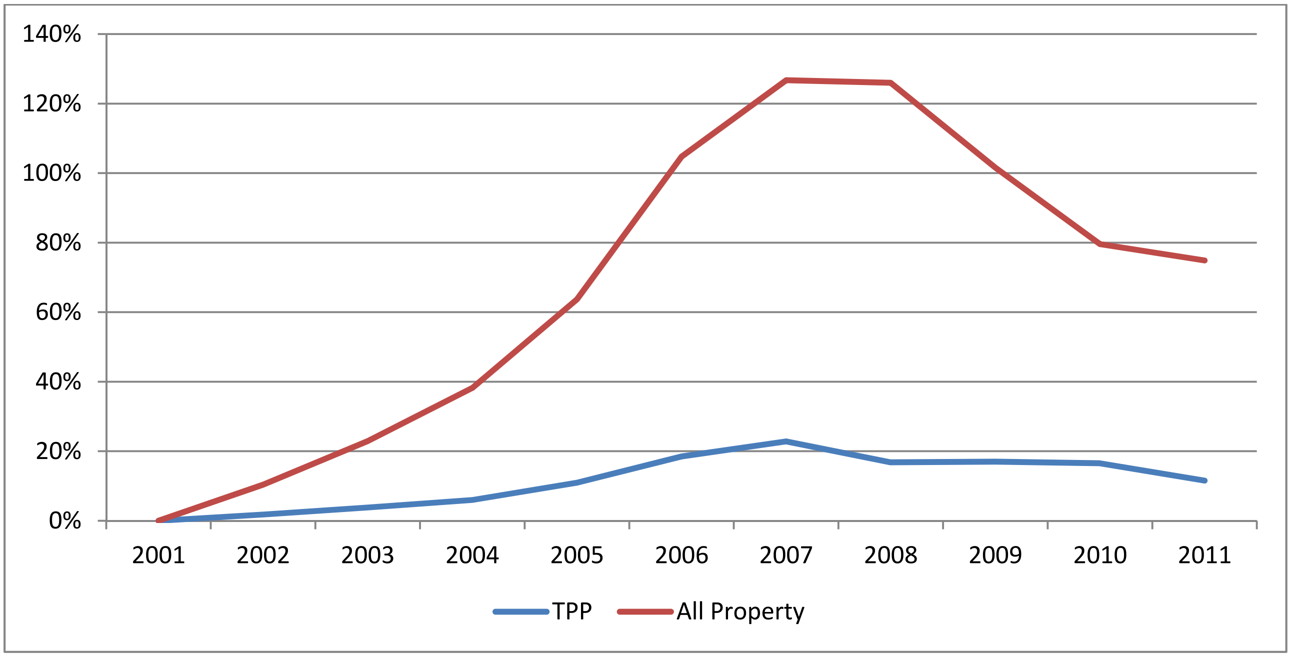
Source: Florida TaxWatch, using data from the Florida Department of Revenue, August 2011.

TPP has been a fairly stable, slow growing revenue source over the years. The taxable value of TPP has only increased by 11.5 percent over the last ten years (see chart above). The Florida Department of Revenue does not keep separate tax levy data for TPP, but if you apply the average statewide millage rate in 2001 (which was higher than it is now) to that year's taxable value, the result is virtually the same amount of levies--$1.82 billion--as in 2011.

As the chart below shows, growth in TPP is much flatter than that of real property. While TPP increased 11.5 percent over ten years, the taxable value of real property has increased 75 percent. TPP value did not skyrocket during the property value boom and therefore has not fallen as much as real property after the bubble burst.

Growth in Taxable Value

Tangible Personal Property vs. All Property



Source: Florida TaxWatch, using data from the Florida Department of Revenue, August 2011.

Tangible Personal Property Taxes in Other States

Among the fifty states, there are probably fifty variations of how to tax tangible personal property (TPP). States differ on how they treat business property, inventory, household goods, and motor vehicles. There are widely varying exemptions, both in the dollar amount of standard exemptions (such as Florida's $25,000 exemption) and industry and property-specific exemptions. Some states give local jurisdictions more flexibility in the taxation of TPP.

Florida TaxWatch examined data from three organizations[9], some of it conflicting, to try to get a picture of how TPP is treated across the nation. The focus is on business property, which is what Florida taxes.

14 States Exempt TPP

Fourteen states at least substantially exempt TPP from property taxation. These are:

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[9] International Association of Assessing Officers (IAAO), CCH, Inc., and the Lincoln Institute of Land Policy

Delaware	Maryland	North Dakota
Hawaii	Minnesota	South Dakota
Illinois	New Hampshire	Ohio
Iowa	New Jersey	Pennsylvania
Maine	New York	

It should be noted that no southeastern state exempts TPP, meaning an exemption in Florida would give the state a competitive advantage over its neighboring states.

12 States Tax Inventory

One area that Florida exempts--along with 38 other states--is inventory, which it exempted in 1981. Twelve states still tax inventory. These are:

Alaska	Louisiana	Pennsylvania
Arkansas	Massachusetts	Texas
Georgia	Mississippi	Wyoming
Kentucky	Oklahoma	West Virginia

TPP Tax Relief in Selected Other States

Many states have provisions to provide narrower exemptions or other means of TPP tax relief. Some examples:

Alaska – allows exemption of TPP by local option

Pennsylvania – exempts utilities and provides economic development exemptions

Kansas – cities and counties can provide economic development exemptions

Rhode Island – exempts manufacturers

District of Columbia - $225,000 standard exemption

Like Kansas, Florida also allows cities and counties to provide economic development exemptions for real and tangible personal property[10]. However, at least partly because there is a referendum requirement to approve such exemptions, this economic development tool is not

[10] Article VII, Section (3)(c), Florida Constitution

widely used. Local governments in fifteen counties provide exemptions worth approximately one-half of one percent of the total taxable value of TPP.

Some Recent Developments

In the last decade, several states have taken step to eliminate or reduce TPP taxes, including Ohio, which is in the middle of a phase out of the tax.

2009	Ohio began a phase-out of TPP taxation
	Colorado began phasing in an increased exemption, in 2015 it will be indexed to inflation
2008	Maine exempted TPP
	Indiana exempted inventory
	D.C. created a $225,000 exemption
	Florida created a $25,000 exemption
2003	Iowa exempted TPP
2000	Montana created $20,000 exemption

Do Florida Property Taxes Impact Economic Development?

Taxes are just one of the factors that can influence a company's decision about which state to locate its operations. Education, workforce quality, infrastructure, quality of life, and other factors are all important. But taxes certainly do matter. This can be especially true with taxes that impact capital intensive industries. The Florida Legislature recognized this during the 2010 Session when it passed elective Single Sales Factor apportionment of corporate income for tax purposes for companies that invest over $250 million in our state. This incentive was a long-time recommendation of Florida TaxWatch.[11] Under this new law, a qualifying corporation may choose to apportion its multi-state income to Florida using a 100 percent sales factor, meaning the percentage of its income apportioned to Florida will equal the percentage of its sales in Florida. This is an alternative to Florida's three-factor formula of sales, property and payroll. By going to 100% sales, a tax disincentive to placing capital in Florida is removed.

Property taxes, particularly tangible personal property (TPP) taxes also impact capital intensive businesses. Property taxes are now by far businesses' number one tax expense nationwide, comprising 36 percent of total state and local taxes.[12] This is even truer in Florida, which has the fourth highest reliance on property taxes for it state and local taxes in the nation (see chart on next page). Due in part to an absence of a personal income tax, Florida's state and local governments rely more heavily on sales taxes and property taxes, with property taxes being the largest revenue source – 41 percent of the total (see table on next page).

The size of Florida's property tax burden is also one of the largest in the nation (see table on page 14). In 2008 (latest available data for all states), Florida ranked 10th among the 50 states in per capita property tax collections. Florida's per capita burden of $1,632 is 21 percent higher than the national average.

Florida's property tax burden is also disproportionately borne by businesses. Florida property tax laws favor homestead residential property over other property types. Homestead exemptions and the Save Our Homes[13] cap on homestead property shift billions in property tax burden to non-homestead properties, including businesses. This is discussed later in this report (see chart on page 16). Falling property values in recent years have diminished this tax shift,

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[11] Florida TaxWatch, "Transforming Florida's Corporate Income Tax to Encourage Capital Formation and Job Creation", March 2009

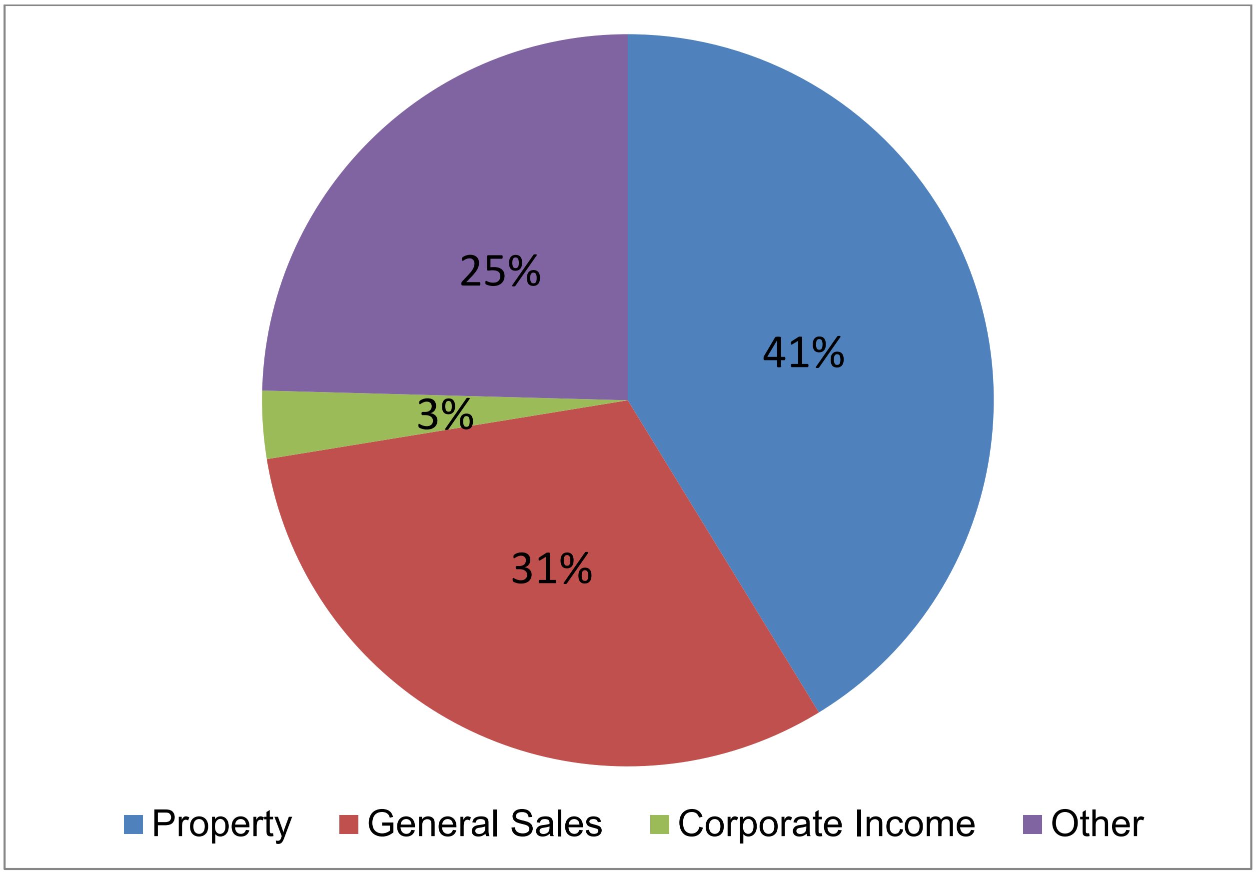
[12] Ersnt & Young and the Council on State Taxation, "Total state and Local Business Taxes," March 2010

[13] Approved by the voters in 1992, the constitutional amendment allows the assessment of homestead properties to increase only by the lesser of 3 percent or inflation.

but both are expected to begin increasing again[14]. A 10 percent cap of non-homestead property and the $25,000 exemption for TPP contained in Amendment 1 help business as a whole, but the additional homestead exemption also contained in that amendment is much greater than the business relief. In 2011, the homestead exemption removes more than four times the amount of taxable value ($84 billion) from the rolls as the other two provisions combined[15].

Florida has the 4th Highest Reliance on Property Taxes in the Nation

Percent of Florida's Total State and Local Taxes By Source



U.S. Average

Property 31%	Sales 23%	Personal Income 23%	Corporate Income 4%	Other 19%

[14] Latest results of the Florida Ad Valorem Revenue Estimating Conference, August 3, 2011

[15] Florida Department of Revenue, 2011 Amendment I Impact Report

Source: Florida TaxWatch, using data from the Florida Department of Revenue, August 2011

The Council on State Taxation's 2011 property tax administration scorecard gave Florida very high marks for its property tax laws – "B+", the third highest grade in the nation. The only area in which Florida was downgraded was in equity between residential and business property.[16]

Florida's Business Climate

There are a variety of organizations publishing business climate rankings, the results of which can be rather confusing. A Florida TaxWatch report[17] found that among seven different indices, Florida is ranked among both the top ten states and the bottom half of states for its competitiveness nationally. The variability in these rankings is caused by the different factors of the business climate being considered by each index and the different weights assigned to those measures.

The report found that it is well documented that the relative tax burden levied on business directly affects the decisions of entrepreneurs, firms, and investors on whether to start, relocate, or expand within a state. It further found that Florida ranked near the bottom for its overall tax burden (37th and 41st nationally by Forbes and CNBC, respectively. Each of Florida's neighboring states was ranked significantly better (less costly to business). In all indices, Florida's overall tax burden was found to be higher (more costly to business) than the rest of the nation and its neighboring states.

Florida's property tax ranking also compares unfavorably to the state's competitors. Florida was ranked 37th nationally due to a relatively higher property tax burden by the American Legislative Exchange Council. Even the Tax Foundation, which ranked Florida 5th best in total business climate (due largely to no personal income tax) ranked the state 28th for property taxes, which is down from 18th place four years ago. In all the different rankings, all neighboring states had a lower per capita property tax burden than Florida and every neighbor except Texas (one rank higher) had a lower effective property tax rate.

One last ranking of note, a recent study by Ernst & Young showed that Florida has the 27th lowest effective tax rate (all taxes) on new capital investment and the 29th lowest effective tax

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[16] Council on State Taxation, "The Best and Worst of Property Tax Administration," May 2011

[17] Florida TaxWatch, Katie Furtick and Katie Hayden, State Competitiveness Indices & Rankings: What National Rankings Tell Us about Florida's Competitiveness, March 2011.

rate on commercial equipment. A reduction in tangible personal property taxes could help lower those rates.[18]

Relative business climate rankings are difficult to measure effectively, as evidenced by the disparities in the various rankings. However, one thing is clear after reviewing the data, Florida's property tax burden on businesses is higher than most states. This suggests that exempting tangible personal property from taxation would help remove a competitive disadvantage now facing Florida.

[18] Ernst & Young and the Council on State Taxation, "Competitiveness of state and local business taxes on new investment," April 2011

Per Capita Property Tax Collections

FY 2008

1	New Jersey	$2,625	26	Washington	$1,199
2	Wyoming	$2,385	27	Ohio	$1,178
3	Connecticut	$2,381	28	Maryland	$1,171
4	New Hampshire	$2,317	29	North Dakota	$1,157
5	New York	$2,009	30	Oregon	$1,133
6	Rhode Island	$1,957	31	Indiana	$1,089
7	Vermont	$1,896	32	South Dakota	$1,072
8	Massachusetts	$1,789	33	Georgia	$1,063
9	Illinois	$1,662	34	Arizona	$1,043
10	**Florida**	**$1,649**	35	Hawaii	$977
11	Maine	$1,636	36	South Carolina	$963
12	Wisconsin	$1,573	37	Missouri	$924
13	Alaska	$1,559	38	North Carolina	$860
14	California	$1,449	39	Utah	$823
15	Michigan	$1,409	40	Mississippi	$785
16	Nebraska	$1,399	41	Idaho	$780
17	Texas	$1,393	42	Tennessee	$752
18	Virginia	$1,362	43	Delaware	$695
	US Average	**$1,352**	44	West Virginia	$683
19	Kansas	$1,323	45	Kentucky	$651
20	Minnesota	$1,273	46	Louisiana	$643
21	Colorado	$1,254	47	Oklahoma	$582
22	Iowa	$1,245	48	New Mexico	$568
23	Nevada	$1,241	49	Arkansas	$512
24	Pennsylvania	$1,239	50	Alabama	$495
25	Montana	$1,221			

Source: Florida TaxWatch, using data from the U.S. Census Bureau, August 2011.

What is the Real Fiscal Impact of TPP Repeal or New Exemptions?

When the state Revenue Estimating Impact Conference develops a fiscal impact (change in revenues) on proposed property tax changes, they calculate the change's impact on taxable value and then apply current millage rates. They have to do it this way because they are required to assume current law and cannot predict what local governments will do with millage rates. The most important factor dictating the impact to local government is the annual vote by local governments on millage rates.

But the real world impact of tax relief on statewide local government revenue--and especially expenditures—may be far less. Taxes on tangible personal property (TPP) will raise an estimated $1.8 billion in 2011; however, this does not necessarily mean that repeal of TPP taxes will reduce local government spending by $1.8 billion or even that TPP taxpayers will save $1.8 billion.

Millage rates can be adjusted, so property tax exemptions or assessment caps usually shift tax burden from one class of taxpayers to other classes. Increased millage rates will even decrease the tax savings of those enjoying new exemptions. In must be remembered that local governments adopt new millage rates each year, and officials can adopt the rolled-back rate without even advertising a tax increase. The rolled-back rate is the rate that will produce the same amount of revenue as the previous year when applied to the new tax roll, allowing for growth revenues from new construction. For example, say a jurisdiction had no growth in property values and a new exemption decreased total taxable value. The rolled-back rate—which in this case would be higher than the previous rate—could be adopted to bring in the same revenue as the previous year, plus any revenues from new construction. Any upward pressure on millage rates brought about by decreases in taxable value are also not affected by the millage rate caps enacted by the Legislature in 2007.[19]

It should be noted that while this is easy when property values are rising, it is much harder politically when values are falling. If there is enough growth to cover the impact of the exemption, the millage rate does not even have to be increased. However, when values are falling—as they have for the past four years—local officials will get some heat from taxpayers for an increased rate, even if it is technically not a tax increase.

Still, in times of rising property values many local governments are typically able to absorb most, if not all of the impacts of changes that reduce taxable values. This is not true for many

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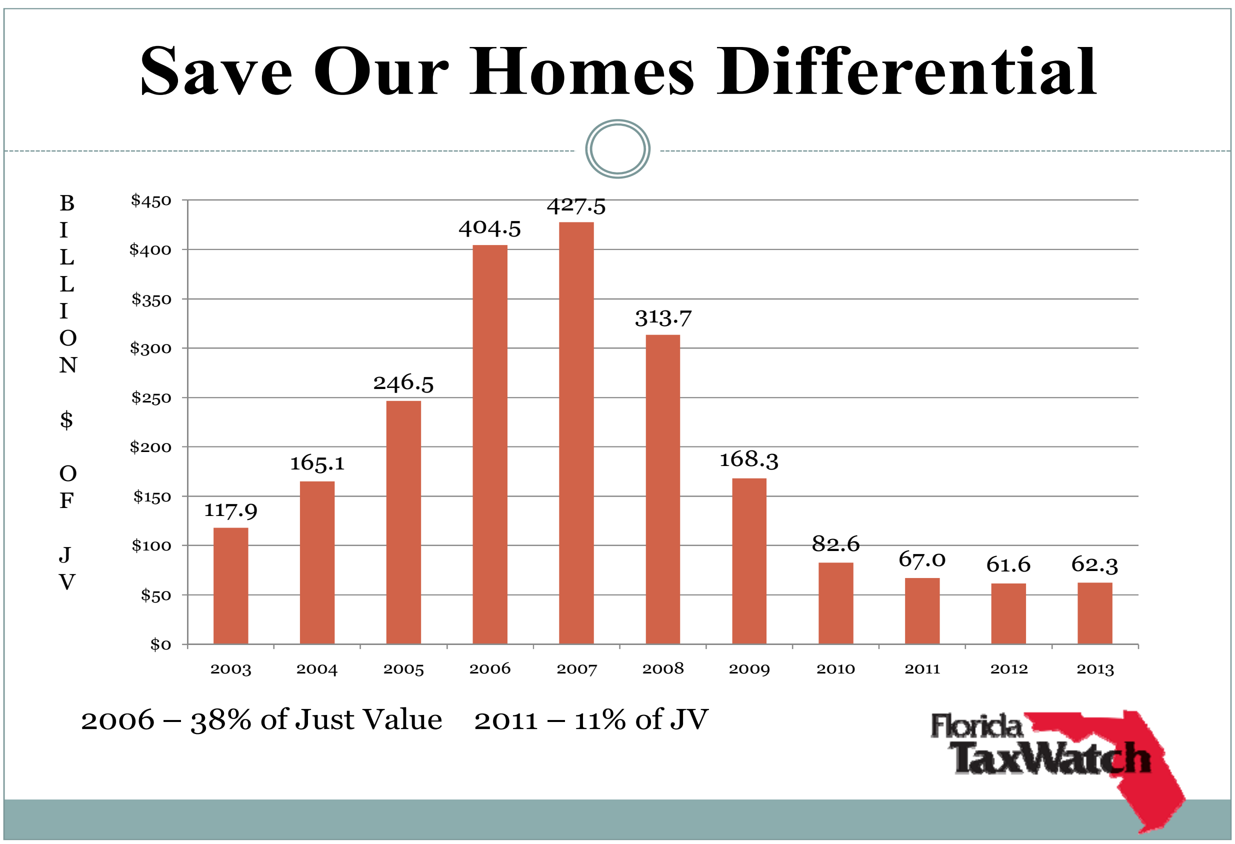
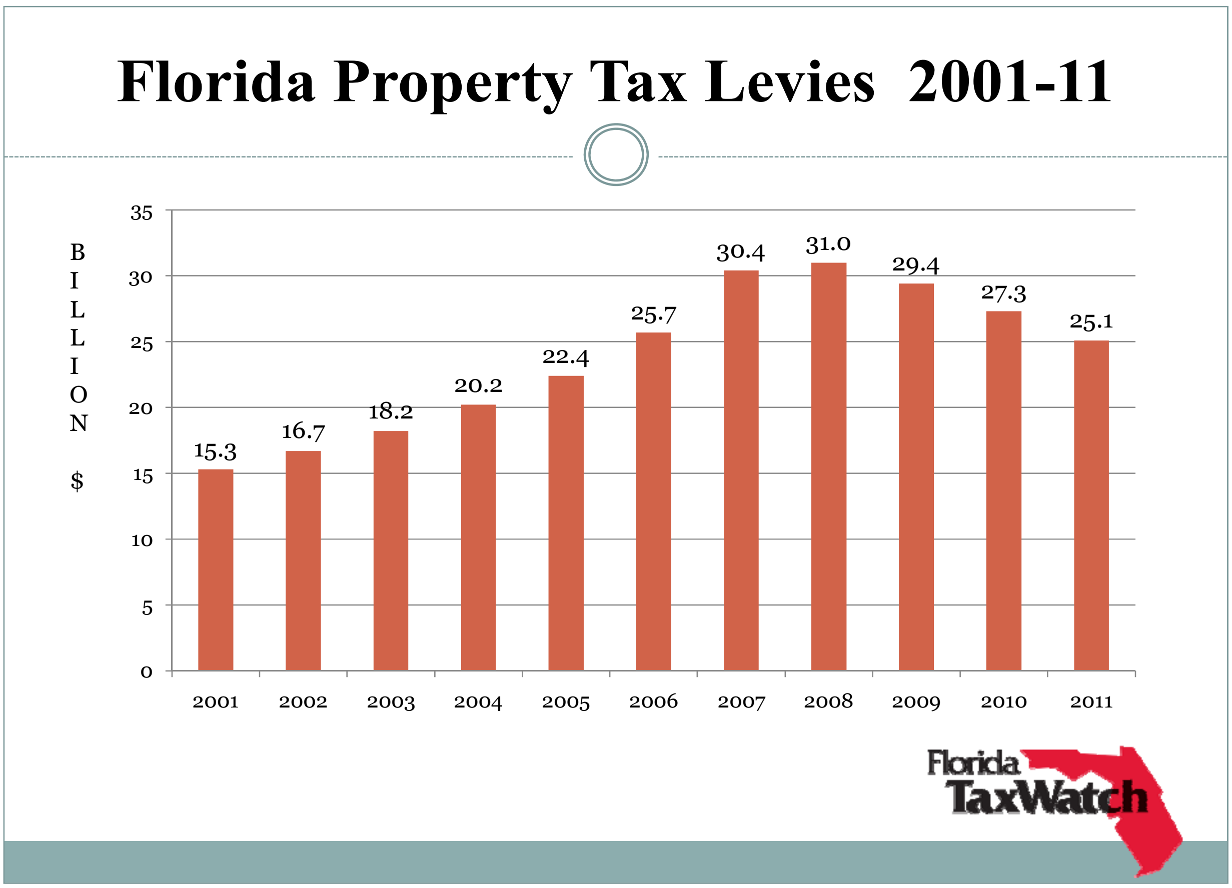
of the state's smaller rural counties with small tax rolls and already high millage rates. This will be discussed further in the next section of this report.

The Save Our Homes (SOH) amendment is illustrative of how--statewide--property tax relief does not always result in revenue loss to local governments. The SOH differential—the difference between just (market) value and the assessed value of homes under SOH—grew steadily from the inception of the cap in 1994 and skyrocketed after 2000 through the housing bubble (see chart below). The differential has been dropping since then, as the SOH "recapture provision"[20] has increased homestead assessments despite falling market values. The differential is expected to begin growing again in 2013. The differential peaked in tax year 2007 at $427.5 billion in taxable value. This was worth over $7 billion in taxes (based on the average statewide millage rate that year).



[20] Under Save Our Homes, assessments on homestead property increase by the lesser of three percent or inflation, even if the market value of the property declines, provided the assessed value does not exceed market (just) value. A proposed constitutional amendment currently on the November 2012 ballot could stop this from happening.

Compare the escalating SOH differential to property tax levies during that time (see chart below). From FY 2001 to FY 2008 (tax years 2000 to 2007)[21], Save Our Homes removed more than $1.5 trillion in value from the property tax rolls, worth more than $28 billion in taxes. However, during that time property tax levies by all jurisdictions in Florida almost doubled, increasing $15.1 billion. The largest single year increase in the differential occurred in 2006, when an additional $158 billion in value—worth $2.9 billion in taxes—was removed from the rolls. Still local governments' enjoyed their largest property tax revenues increase in history--$4.7 billion (18.3%).



The effect of all this is that property tax cuts that reduce taxable value tend to shift taxes to other taxpayer populations. Moreover, to the extent that millage rates are higher than they would have otherwise been, the taxpayers to which the exemption or cap were targeted do not receive all of the tax relief they might expect. This certainly happened under Save Our Homes

[21] Tax years are based on the value of property on January 1 of that year. The property taxes from a tax year fund local government operations in the next fiscal year. For example, current tax year 2011 will fund FY 2011-12 (beginning October 1, 2011.)

and the increased homestead exemption passed in 2008, as businesses and other non-homestead property have had billions of dollars of tax burden shifted to them.

Of course, local governments can also increase other revenue sources, such as impact fees, special assessments, licenses and permits, and charges for services. Local governments have been increasing their utilization of these revenues for some time. A 2006 Florida TaxWatch report found that each of these revenue sources increased even faster than property taxes over the ten-year period ending in 2004, with all sources at least doubling and charges for services tripling.[22]

[22] Florida TaxWatch, Kurt Wenner, "Controlling Escalating Property Taxation and Local Government Spending and Revenue:, December 2006

How Would Repeal of TPP Taxes Impact Local Governments?

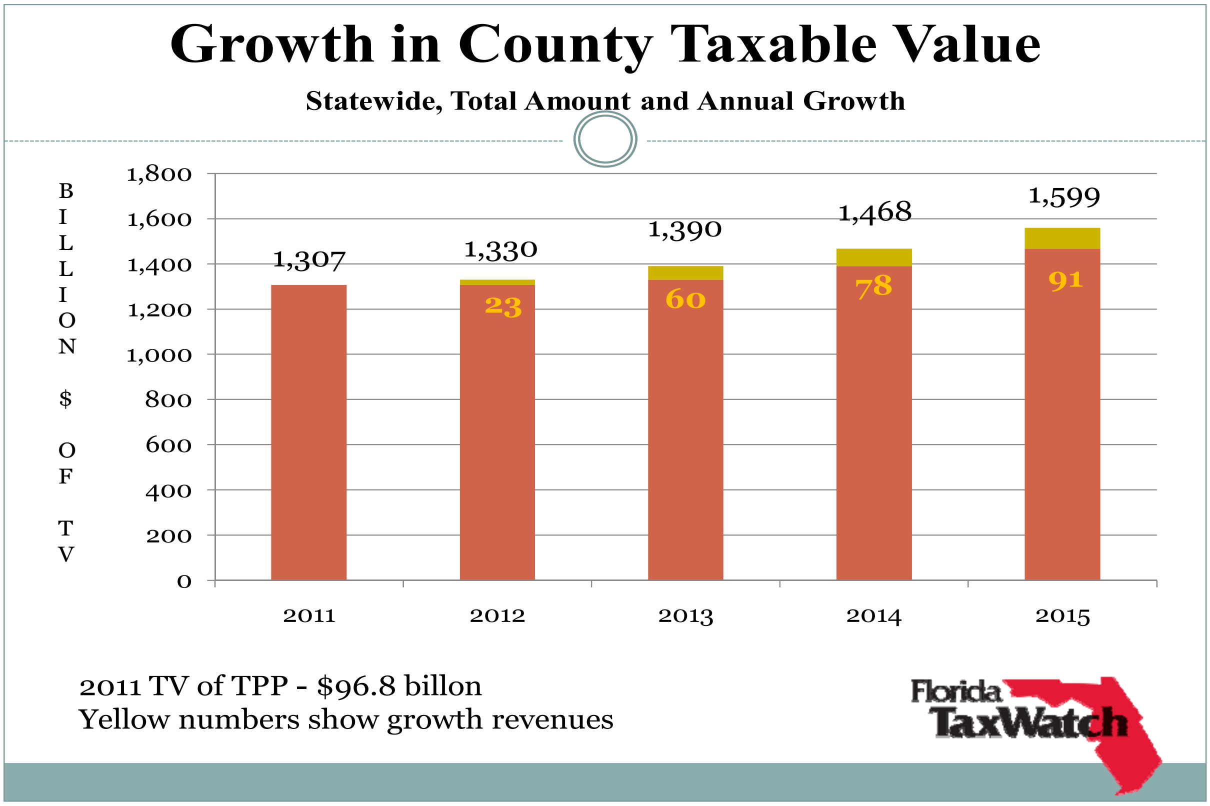
The property tax environment differs significantly across the state. Because property values and the impact exemptions have on tax rolls vary significantly from county to county, the property tax burden on Floridians also varies greatly. Some examples (2010):

Per Capita Property Tax Levies		
High - $2,842 (Monroe)	Low - $347 (Holmes)	Average - $1,360
Average Total Millage Rates		
High - 24.55 (Alachua)	Low - 10.58 (Monroe)	Average - 19.01
Per Capita Just Value		
High - $375,934 (Monroe)	Low - $61,239 (Jackson)	Average - $103,105
Per Capita Taxable Value		
High - $268,678 (Monroe)	Low - $20,475 (Holmes)	Average - $71,543
Percent of Just Value that is Taxable		
High – 83.6% (Walton)	Low – 23.2% (Union)	Average – 69.4%

The impact on local governments of repealing or reducing tangible personal property would also vary significantly from county to county.

As discussed in the previous section of this report, reductions in taxable value can often be absorbed by local governments, especially in times of healthy property value growth. However, while state estimators expect values to begin to rise again this year, the forecast calls for only modest growth through at least 2015 (see chart on next page). The earliest repeal or reduction of TPP could take effect is in tax year 2013.[23] Currently, the taxable value of TPP is $98.6 billion of the $1.3 trillion in total county taxable value. Growth in total county taxable value in 2013 is estimated at $60 billion. By 2015, annual growth is only expected to be $91 billion. So, growth in total county property tax revenues will not make it easy for local governments to absorb full repeal.

[23] The Florida Constitution currently does not authorize such exemptions. If the 2012 Legislature were to pass a joint resolution to bring a proposed constitutional amendment to the ballot, it could be voted on in November 2012, effective January 1, 2013. This would affect revenues for the 2013-14 local government fiscal year, beginning October 1, 2013.



For some counties, reduced taxable value is tough to deal with no matter what the state of the economy. Local governments in some counties rely much more heavily on taxes from TPP than others. The table on page 22 shows the percentage of county taxable value that is comprised of tangible personal property. It ranges from a high of 51.76 percent in Hardee County to a low of 2.78 percent in Monroe County. Statewide, the portion is 7.52 percent. Not surprisingly, most of the counties with the highest percentage of TTP taxable value are smaller counties. With relatively small property tax bases and generally lower real property values, a large TPP taxpayer can be very important to these counties.

The counties that are listed in **red type** in the tables are those for which the county government has already reached the constitutional 10 mill cap (2010 rates). The ones listed in **bold type** have a tax rate of at least 8.5 mills. The top three counties are all in these two groups and TPP comprises more than 40 percent of each of their property tax bases. All five of the 10 mill counties are among the ten least populous counties.

Conversely, the three most populous counties (Miami-Dade, Broward, Palm Beach) have the 56th, 57th and 58th smallest reliance on TPP for their total property tax revenue. Each county's percentage of TPP taxable value is between 5 percent and 5.5 percent. Five of ten largest counties rank at 50th of lower and have TPP making up less than 7 percent of their tax rolls. All but two (Hillsborough and Polk) of the top ten most populous counties have percentages less than 10 percent. Polk County is the anomaly, where TPP comprises 19.73 percent of the tax roll, ranking it 12th.

The next table (on page 23) shows the amount of each county's levies (from all jurisdictions within the county) on tangible personal property, which produces $1.8 billion statewide. While Miami-Dade County collects approximately $223 million in ad valorem taxes from tangible personal property, four counties collect less than $1 million.

For the high millage counties, while TPP comprises a large percentage of their tax base, the dollar amount of tax levies is relatively small when compared to the $1.8 billion in property taxes collected on TPP. The five counties at the ten mill cap collect less than 1 percent (0.6 percent)--$10.9 million. The fifteen counties with at least 8.5 mills collect 3.2 percent of the states levies--$57.7 million.

So while the tax amount is relatively small, the counties with a large percentage of TPP and already high millage rates would be significantly adversely affected by a total elimination of tangible personal property taxes. . While some of the larger, more prosperous counties could probably absorb lost TPP taxes, it would create some real problems for many smaller, fiscally constrained counties.

In addition, local governments' property tax bases have already declined by 21% since 2007 and low growth is forecast for next several years. The state has also seen its revenues shrink for several years and growth is not expected to exceed the growth in large, costly programs like Medicaid and Education. Billions of dollars in budget cuts have already been implemented. The Legislature would have to find an additional $780 million in state money to replace the lost funding for schools—or raise taxes—to avoid a reduction in education funding.

For all these reasons, the Task Force concluded that, while the total repeal of tangible personal property (TPP) taxes in Florida would likely create a significant added attraction for businesses that are considering locating here, the current environment is certainly not favorable for reducing the revenue of schools and local governments by $1.8 billion.

Tangible Personal Property as a Percent of Total Taxable Value

2011

	County	TPP/All TV	% of state TPP TV	Pop Rank
1	**Hardee**	51.76%	0.34%	51
2	**Hamilton**	47.05%	0.09%	61
3	**Liberty**	41.56%	0.21%	67
4	Taylor	34.62%	0.42%	54
5	Citrus	25.60%	2.47%	32
6	**Putnam**	24.24%	0.87%	37
7	Hendry	24.13%	0.79%	47
8	DeSoto	23.54%	10.54%	48
9	Suwannee	22.83%	0.35%	44
10	**Madison**	20.61%	0.09%	56
11	Gilchrist	20.54%	0.27%	57
12	Polk	19.73%	4.98%	9
13	**Gadsden**	18.84%	0.06%	43
14	**Calhoun**	18.72%	0.07%	63
15	**Washington**	18.25%	0.16%	53
16	Jackson	17.18%	0.54%	42
17	**Lafayette**	17.11%	0.09%	66
18	Jefferson	16.70%	0.25%	62
19	**Bradford**	16.69%	0.14%	50
20	Okeechobee	15.97%	0.24%	46
21	**Union**	15.69%	0.04%	60
22	**Holmes**	14.83%	7.08%	55
23	Hernando	14.34%	0.43%	27
24	Baker	14.28%	0.11%	52
25	**Glades**	13.20%	0.13%	64
26	Escambia	12.45%	4.74%	18
27	Martin	12.40%	1.23%	31
28	Saint Lucie	12.28%	1.83%	14
29	Levy	11.50%	1.02%	45
30	Columbia	11.28%	0.26%	40
31	Hillsborough	11.03%	0.44%	4
32	**Dixie**	10.19%	0.34%	58
33	Manatee	9.97%	0.13%	16
34	Orange	9.83%	8.28%	5
35	Volusia	9.45%	2.35%	11
36	**Wakulla**	9.40%	0.11%	49
37	Alachua	9.17%	1.11%	23
38	Highlands	9.14%	1.12%	34
39	Duval	9.02%	0.05%	7
40	Sumter	9.01%	0.62%	36
41	Osceola	8.54%	1.47%	22
42	Pasco	8.46%	1.78%	12
43	Marion	7.93%	2.45%	15
44	Lake	7.77%	0.04%	19
45	Clay	7.73%	0.65%	24
46	Pinellas	7.57%	4.35%	6
	Statewide	**7.52%**		
47	Santa Rosa	7.24%	0.55%	13
48	Seminole	7.12%	1.77%	20
49	Leon	7.05%	3.66%	21
50	Brevard	6.85%	1.76%	10
51	Lee	6.61%	1.25%	8
52	Bay	6.57%	0.97%	28
53	Nassau	6.46%	0.44%	38
54	Gulf	5.83%	0.08%	59
55	Charlotte	5.52%	0.72%	29
56	Palm Beach	5.48%	7.04%	3
57	Miami-Dade	5.46%	2.20%	1
58	Broward	5.12%	6.69%	2
59	Okaloosa	5.06%	0.72%	26
60	Flagler	4.53%	1.71%	35
61	Saint Johns	4.09%	0.74%	30
62	Indian River	3.95%	0.06%	33
63	Sarasota	3.76%	1.54%	25
64	Walton	3.39%	0.38%	41
65	Collier	2.89%	1.75%	17
66	Franklin	2.83%	0.31%	65
67	Monroe	2.78%	0.54%	39

Source: Florida TaxWatch, using data from the Florida Department of Revenue, August 2011.
County Governments in counties in **RED** are at the 10 mill cap (2010). Those in **BOLD** have a rate above 8.5 mills.

Estimated Tangible Personal Property Tax Levies by County

2011

	County	TPP Levies	% of state TPP Levies	Pop Rank		County	TPP Levies	% of state TPP Levies	Pop Rank
1	Miami-Dade	223,022,137	12.25%	1	35	Indian River	8,509,658	0.47%	33
2	Palm Beach	144,140,144	7.92%	3	36	Hendry	7,905,906	0.43%	47
3	Hillsborough	140,998,298	7.75%	4	37	Santa Rosa	7,743,851	0.43%	13
4	Orange	140,809,628	7.74%	5	38	Nassau	7,022,283	0.39%	38
5	Broward	138,925,551	7.63%	2	39	Highlands	6,970,094	0.38%	34
6	Polk	85,862,952	4.72%	9	40	Taylor	6,929,056	0.38%	54
7	Pinellas	85,128,907	4.68%	6	41	**Hamilton**	6,280,125	0.35%	61
8	Duval	84,304,175	4.63%	7	42	Suwannee	5,822,214	0.32%	44
9	Lee	63,282,705	3.48%	8	43	DeSoto	5,518,444	0.30%	48
10	Volusia	52,442,943	2.88%	11	44	Monroe	5,432,053	0.30%	39
11	Saint Lucie	41,104,955	2.26%	14	45	Flagler	5,126,369	0.28%	35
12	Manatee	39,105,540	2.15%	16	46	Columbia	4,749,415	0.26%	40
13	Citrus	38,026,637	2.09%	32	47	**Gadsden**	4,675,705	0.26%	43
14	Martin	35,582,086	1.96%	31	48	Okeechobee	4,304,707	0.24%	46
15	Brevard	31,238,518	1.72%	10	49	Walton	3,601,585	0.20%	41
16	Seminole	29,249,605	1.61%	20	50	Jackson	3,547,802	0.19%	42
17	Pasco	28,932,882	1.59%	12	51	Levy	3,403,710	0.19%	45
18	Escambia	27,173,944	1.49%	18	52	**Washington**	2,731,822	0.15%	53
19	Marion	26,296,092	1.44%	15	53	**Bradford**	2,526,056	0.14%	50
20	Alachua	25,392,104	1.40%	23	54	**Madison**	2,405,176	0.13%	56
21	Osceola	24,802,535	1.36%	22	55	Gilchrist	2,247,998	0.12%	57
22	Sarasota	21,741,231	1.19%	25	56	Baker	1,921,159	0.11%	52
23	Lake	20,552,410	1.13%	19	57	**Wakulla**	1,779,617	0.10%	49
24	Collier	20,297,811	1.12%	17	58	**Liberty**	1,615,963	0.09%	67
25	Leon	18,775,965	1.03%	21	59	Jefferson	1,554,539	0.09%	62
26	Hernando	17,365,159	0.95%	27	60	**Glades**	1,485,087	0.08%	64
27	**Putnam**	15,889,131	0.87%	37	61	Gulf	1,320,970	0.07%	59
28	**Hardee**	13,772,698	0.76%	51	62	**Calhoun**	1,219,588	0.07%	63
29	Charlotte	12,018,298	0.66%	29	63	**Dixie**	1,078,818	0.06%	58
30	Bay	11,764,694	0.65%	28	64	**Holmes**	960,347	0.05%	55
31	Saint Johns	11,438,294	0.63%	30	65	**Union**	666,929	0.04%	60
32	Clay	10,011,705	0.55%	24	66	**Lafayette**	659,941	0.04%	66
33	Okaloosa	9,394,288	0.52%	26	67	Franklin	604,019	0.03%	65
34	Sumter	8,820,215	0.48%	36					

Source: Florida TaxWatch, using data from the Florida Department of Revenue, August 2011. Levies estimated by using 2010 average millage for each county (all jurisdictions).

County Governments in counties in **RED** are at the 10 mill cap (2010). Those in **BOLD** have a rate above 8.5 mills.

Targeted TPP Exemptions are Preferable to Repeal at This Time

After a general consensus that a total elimination of ad valorem taxes on tangible personal property in Florida at the time would be problematic, the Task Force began to focus on more targeted exemptions that could help spur economic development in the state. The Task Force felt that such exemptions could be used to help attract high-wage, capital intensive industries to Florida.

It was decided to focus on the state's Qualified Targeted Industries (QTI) and high-impact sectors. These are the industries defined in law[24] that are eligible to receive QTI tax refunds and high-impact grants. For purposes of this report, the term "target industries" mean both QTIs and high-impact sectors. The list of QTIs can be revised by Enterprise Florida each year based on the following criteria:

Future growth—Industry forecasts should indicate strong expectation for future growth in both employment and output, according to the most recent available data. Special consideration should be given to businesses that export goods to, or provide services in, international markets and businesses that replace domestic and international imports of goods or services.

Stability—The industry should not be subject to periodic layoffs, whether due to seasonality or sensitivity to volatile economic variables such as weather. The industry should also be relatively resistant to recession, so that the demand for products of this industry is not typically subject to decline during an economic downturn.

High wage—The industry should pay relatively high wages compared to statewide or area averages.

Market and resource independent—The location of industry businesses should not be dependent on Florida markets or resources as indicated by industry analysis, except for businesses in the renewable energy industry.

Industrial base diversification and strengthening—The industry should contribute toward expanding or diversifying the state's or area's economic base, as indicated by analysis of employment and output shares compared to national and regional trends. Special consideration should be given to industries that strengthen regional economies by adding value to basic products or building regional industrial clusters as indicated by industry analysis. Special consideration should also be given to the development of strong industrial clusters that include defense and homeland security businesses.

[24] QTI - Section 288.106, *Florida Statutes*. High-impact sectors - Section 288.108, *Florida Statutes*.

Economic benefits--The industry is expected to have strong positive impacts on or benefits to the state or regional economies.

The Task Force concluded that instead of full repeal at this time, focusing on smaller exemptions for these types of industries could best leverage exempt ad valorem tax dollars to produce the highest economic development returns. In other words, "get the most bang for the buck."

This echoes the language in the QTI statute[25] (emphasis added):

> *The Legislature finds that retaining and expanding existing businesses in the state, encouraging the creation of new businesses in the state, attracting new businesses from outside the state, and generally providing conditions favorable for the growth of target industries creates high-quality, high-wage employment opportunities for residents of the state and strengthens the state's economic foundation.* ***The Legislature also finds that incentives narrowly focused in application and scope tend to be more effective in achieving the state's economic development goals.*** *The Legislature further finds that higher-wage jobs reduce the state's share of hidden costs, such as public assistance and subsidized health care associated with low-wage jobs. Therefore, the Legislature declares that it is the policy of the state to encourage the growth of higher-wage jobs and a diverse economic base by providing state tax refunds to qualified target industry businesses that originate or expand in the state or that relocate to the state.*

The Task Force decided on examining the impact of exempting all manufacturers and each of the target industry sectors.

How Much Do Target Industries Pay in TPP Taxes?

In order to ascertain the amount of TPP taxes paid by these industries, we compiled a list of NAICS codes for both QTIs and high-impact sectors. Using information provided by Enterprise Florida[26], we had the codes for the high-impact sectors and were able to find codes for most companies that fit in the QTIs.

The Florida Department of Revenue (DOR) was able to pull TPP tax data based on the NAICS codes. The DOR data was also broken down by county. Most of the high-impact sectors overlapped the QTIs. The one high-impact sector not substantially contained in a QTI category was transportation.

[25] Section 288.106 (1), *Florida Statutes*.

[26] See appendices B and C

We compiled data for the following sectors:

- Manufacturing
- Clean Tech\Energy
- Information Technology
- Life Sciences
- Aviation and Aerospace
- Homeland Security and Defense
- Financial Services
- Transportation
- Research and Development
- Corporate Headquarters

This is not intended to be a complete list of industries that would fall under the proposed TPP exemptions. Other industries and emerging technologies such as professional services, global logistics, marine sciences, material sciences and nanotechnology fall under the QTI umbrella. It is ultimately up to the Legislature--with input from Enterprise Florida--to decide on the industries to include in any new exemption.

The table on the next page shows the number of tangible personal property accounts, just value, taxable value, and the estimated levies for these industries during 2011. There is some duplication among the groups, for example many of the targeted industries are manufacturers, and semiconductor manufacturers are in multiple groups.

The total (unduplicated) amounts are:

Manufacturing	\$191.7 million
Qualified Targeted Industries Only	\$208.3 million
All Manufacturing and Other Targeted Industries	\$365.1 million

Florida Tangible Personal Property - Selected Sectors - 2011

DESCRIPTION	# OF TAX[27] PAYERS	JUST VALUE	TAXABLE VALUE	LEVIES[28]
Manufacturing	**11,231**	**11,663,269,900**	**10,268,975,636**	**191,670,458**
Clean Tech	**598**	**496,276,525**	**463,133,854**	**8,461,930**
Life Sciences	**713**	**789,521,301**	**771,462,701**	**15,408,328**
Aviation and Aerospace	**337**	**321,152,941**	**312,670,959**	**5,929,272**
Information Technology	**16,744**	**9,059,232,607**	**8,556,110,457**	**163,106,695**
Financial Services	**3,797**	**750,731,039**	**679,202,885**	**13,150,865**
Transportation	**297**	**351,066,628**	**343,118,265**	**6,718,955**
Corporate Headquarters	**94**	**49,741,761**	**47,544,936**	**875,917**
Homeland Security/Defense	**1,323**	**565,969,499**	**544,776,800**	**10,283,214**
Research and Development	**148**	**86,393,885**	**83,350,617**	**1,736,775**

Source: 2011 Preliminary N.A.P Tax Rolls, Property Tax Oversight, Florida Department of Revenue, August 2011.
Levies estimated by Florida TaxWatch.

See Appendix A for information on the industries in each sector.

[27] Number of accounts. A single business can have multiple of accounts. Each location requires its own return and account.
[28] Estimated by applying 2010 average millage rates (all jurisdictions in county) to taxable value. Computed at the county level then summed for statewide total.

Manufacturing and Target Industries as a % of Total Taxable Value – 2011

	County	All Manuf.	Target* Industries	Pop Rank			All Manuf.	Target* Industries	Pop Rank
1	Taylor	19.80%	1.10%	54	34	**Bradford**	0.80%	0.10%	50
2	**Liberty**	18.10%	17.80%	67	35	Okeechobee	0.80%	0.60%	46
3	Hendry	11.90%	0.10%	47	36	Orange	0.80%	1.20%	5
4	**Putnam**	7.80%	1.40%	37	37	Clay	0.70%	0.50%	24
5	**Madison**	7.40%	0.90%	56	38	Hillsborough	0.70%	0.40%	4
6	Baker	5.50%	2.00%	52	39	Pasco	0.70%	1.20%	12
7	Escambia	4.60%	1.80%	18	40	Seminole	0.60%	1.20%	20
8	Suwannee	4.30%	0.00%	44	41	**Hamilton**	0.50%	0.00%	61
9	Polk	4.00%	2.00%	9	42	Santa Rosa	0.50%	0.10%	13
10	**Gadsden**	3.10%	0.00%	43	43	Osceola	0.50%	1.10%	22
11	Nassau	3.00%	0.00%	38	44	Saint Johns	0.40%	0.60%	30
12	Gilchrist	2.90%	1.60%	57	45	**Holmes**	0.40%	0.00%	55
13	Hernando	2.60%	2.20%	27	46	**Hardee**	0.40%	1.00%	51
14	**Union**	2.30%	2.10%	60	47	Miami-Dade	0.40%	0.70%	1
15	Sumter	2.20%	0.10%	36	48	Palm Beach	0.40%	0.80%	3
16	Duval	2.20%	1.60%	7	49	Broward	0.30%	1.00%	2
17	Alachua	2.20%	1.50%	23	50	Levy	0.30%	1.80%	45
18	**Glades**	1.90%	1.00%	64	51	Gulf	0.30%	0.90%	59
19	Manatee	1.60%	1.00%	16	52	Sarasota	0.30%	0.80%	25
20	Saint Lucie	1.50%	1.10%	14	53	Martin	0.30%	0.10%	31
21	DeSoto	1.40%	0.00%	48	54	**Lafayette**	0.20%	2.10%	66
22	Columbia	1.20%	2.50%	40	55	Leon	0.20%	0.10%	21
23	Bay	1.10%	0.20%	28	56	Okaloosa	0.20%	0.10%	26
24	Jackson	1.10%	0.10%	42	57	Indian River	0.20%	0.20%	33
25	**Dixie**	1.00%	0.20%	58	58	Flagler	0.20%	0.10%	35
26	**Wakulla**	1.00%	0.40%	49	59	Lee	0.20%	0.70%	8
27	Volusia	1.00%	1.30%	11	60	Charlotte	0.10%	0.70%	29
28	**Washington**	1.00%	0.10%	53	61	Walton	0.10%	0.00%	41
29	Marion	1.00%	1.10%	15	62	**Calhoun**	0.10%	0.00%	63
30	Pinellas	1.00%	1.30%	6	63	Collier	0.10%	0.60%	17
	Statewide	0.80%	0.90%		64	Citrus	0.10%	0.00%	32
31	Lake	0.80%	0.80%	19	65	Franklin	0.10%	0.00%	65
32	Highlands	0.80%	0.00%	34	66	Jefferson	0.00%	0.10%	62
33	Brevard	0.80%	0.10%	10	67	Monroe	0.00%	0.40%	39

Source: Florida TaxWatch, using data from the Florida Department of Revenue, August 2011.
County Governments in counties in **RED** are at the 10 mill cap (2010). Those in **BOLD** have a rate above 8.5 mills.
*"Target Industries" include Qualified Targeted Industries (QTI) and high-impact sectors.

TPP Levies on Manufacturing and Target Industries

2011

		Target Industries Levies*	Manufacturing Levies			Target Industries Levies*	Manufacturing Levies
1	Dade	30,464,223	15,207,973	35	Baker	267,960	741,675
2	Broward	28,426,599	8,890,188	36	**Hardee**	259,637	107,981
3	Palm Beach	20,049,075	9,707,592	37	Okaloosa	229,940	407,994
4	Orange	16,849,912	10,822,710	38	Leon	218,167	606,832
5	Duval	14,806,814	20,844,584	39	Taylor	211,405	3,959,351
6	Pinellas	14,460,024	10,689,962	40	Gulf	208,457	72,233
7	Polk	8,839,354	17,361,742	41	Gilchrist	174,122	313,037
8	Lee	7,100,170	1,949,491	42	Okeechobee	152,052	208,808
9	Volusia	6,988,709	5,492,350	43	Flagler	144,710	238,221
10	Hillsborough	5,146,137	8,941,346	44	**Glades**	109,785	209,978
11	Seminole	5,024,020	2,457,041	45	**Madison**	101,544	862,884
12	Sarasota	4,707,963	1,640,316	46	**Union**	90,630	96,038
13	Alachua	4,146,988	5,988,128	47	**Lafayette**	80,408	9,290
14	Pasco	4,133,406	2,275,227	48	Santa Rosa	75,466	494,306
15	Collier	4,114,687	650,606	49	**Wakulla**	72,846	192,014
16	Escambia	3,988,557	9,943,421	50	Sumter	62,221	2,199,503
17	Manatee	3,819,006	6,425,838	51	Hendry	45,017	3,882,756
18	Saint Lucie	3,612,599	5,133,341	52	Walton	43,924	142,515
19	Marion	3,558,739	3,210,015	53	**Bradford**	20,970	117,424
20	Osceola	3,173,968	1,313,531	54	Jackson	19,918	220,244
21	Hernando	2,658,580	3,158,792	55	Highlands	19,697	615,642
22	Lake	1,984,909	2,236,286	56	**Dixie**	15,879	109,934
23	Charlotte	1,615,202	309,888	57	**Washington**	14,124	146,092
24	Saint Johns	1,543,207	1,168,490	58	Citrus	12,093	122,934
25	Columbia	1,041,585	514,062	59	Jefferson	12,086	2,605
26	**Putnam**	935,956	5,116,320	60	Suwannee	12,003	1,101,206
27	Monroe	830,907	17,442	61	DeSoto	7,143	336,207
28	Clay	703,667	909,479	62	**Gadsden**	6,027	761,675
29	**Liberty**	692,365	703,705	63	Nassau	1,739	3,255,561
30	Brevard	675,902	3,649,735	64	Franklin	312	16,948
31	Levy	526,136	94,319	65	**Calhoun**	-	7,580
32	Indian River	336,793	460,154	66	**Hamilton**	-	68,002
33	Martin	291,942	756,572	67	**Holmes**	-	26,567
34	Bay	278,063	1,975,776				

Source: Florida TaxWatch, using data from the Florida Department of Revenue, August 2011. Levies estimated by using 2010 average millage for each county (all jurisdictions). * "Target Industries" includes QTI and High-Impact Sectors.
County Governments in counties in **RED** are at the 10 mill cap (2010). Those in **BOLD** have a rate above 8.5 mills.

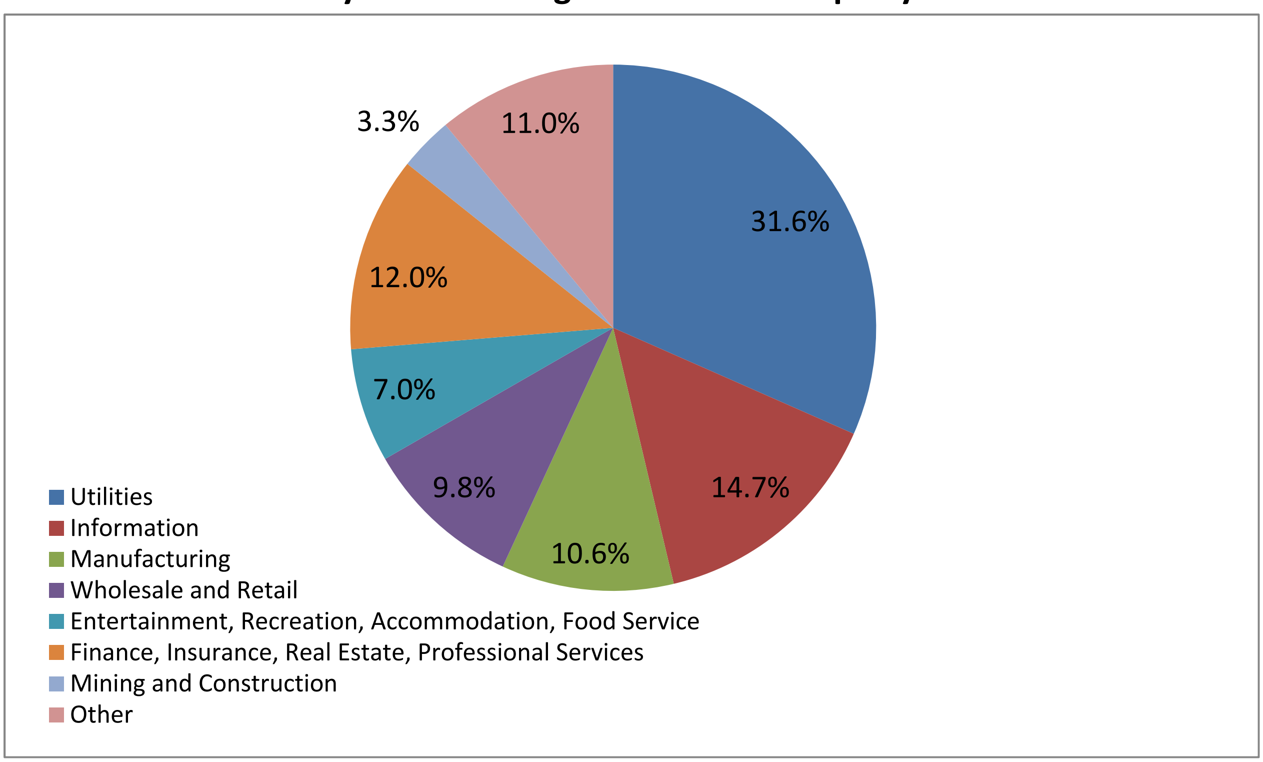
The tables on the previous two pages show the impact on individual counties of exempting manufacturing and/or targeted industries. The first table shows the percentage of total taxable value that would be lost from exempting these industries. Earlier in this report, we examined the lost taxable value of full repeal and found that some smaller counties had very significant portions of their tax rolls made up of TPP. Three counties had more than 40 percent of taxable value made up of TPP. The table on page 28 shows much more manageable amounts.

Generally, the table shows that manufacturing TPP makes up more of the tax rolls in smaller counties than targeted industry TPP, while the targeted industry share is larger in larger counties.

Three small counties have more than 10 percent of their tax rolls devoted to manufacturing TPP. Only one county has more than 10 percent coming from targeted industries. That is Liberty County, which has a large sawmill (which is a high impact sector business). The sawmill shows up in both categories.

Only ten counties have a manufacturing share that exceeds three percent of taxable value and only four counties have a target industry share above two percent.

Who Pays Florida Tangible Personal Property Taxes?



Source: Florida TaxWatch, from Florida Department of Revenue data, August 2011.

Results of Econometric Modeling for TPP Tax Reduction Options

Using the dynamic model from Regional Economic Models, Inc. (REMI), five simulations were run with the following tax reductions:

Simulations	TPP Amount
Total Repeal of TPP	$1,893,311,094
5-Year Phase-out of TPP	$ 378,662,219 per year
Exempt all Manufacturing	$ 199,337,276
Exempt all Target Industries	$ 216,627,019
Exempt all Manufacturing and Target Industries	$ 379,755,761

Since the earliest a change could take effect would be tax year 2013 (FY 2013-14) estimates of tax values for these exemptions made by Florida TaxWatch that are discussed earlier in this report were increased by the official state forecasted growth of TPP taxable value for the next two years (4 percent).

Shown above are five simulations that were modeled using the Regional Economic Models Inc. software, REMI PI+. Simulation 1, total repeal of TPP tax, completely repeals all TPP taxes in 2014. Simulation 2, 5-year phase-out of TPP tax, reduces total TPP taxes by 20 percent each year until it is completely phased out, beginning in 2014. In Simulation 3, 4, and 5, business taxes are lowered and credited to a reduction in capital cost for the targeted types of businesses (Manufacturing, Target Industries, and Both). One should note that there is some overlap between Target Industries and Manufacturing. Some manufacturing is in Target Industries, but not the entire manufacturing sector. Duplications were eliminated for the simulation of exempting both groups together.

The simulations are modeled with a reduction of government spending for each dollar of reduction in TPP taxes. One feature of the REMI model is that this results in significant losses in public sector jobs (as opposed to program cuts or cost savings initiatives), especially in the early simulation period results. However, as discussed earlier in this report, property tax relief does not translate into a dollar-for-dollar reduction in government spending. Therefore, for each of these simulations, three separate scenarios were run. First was an elimination of TPP taxes with no increase of other taxes to make up the TPP tax revenue loss. Second was an increase in the tax on real property to make up 50 percent of the TPP tax revenue loss. Third was an increase in the tax on real property to make up 100 percent of the TPP tax revenue loss. This provides a range of possible outcomes, depending upon how local governments would choose to deal with reduced tax receipts in their jurisdictions.

To show the benefit of reduction or repeal of the TPP tax, in each scenario the amount of the TPP tax that is reduced is then allocated to a reduction in capital cost for each of the targeted groups in the five aforementioned simulations. In Simulation 1 and 2, the reduction in capital cost is allocated to all Florida businesses, and it is prorated on a percentage of their value added in Florida. In other words, if one industry creates five percent of the value added in Florida, it is allocated five percent of the reduction in capital cost. Similarly, this is also calculated for simulation 3, 4 and 5, but is directed at all manufacturing industries, only targeted industry groups and both manufacturing and targeted industry groups, respectively.

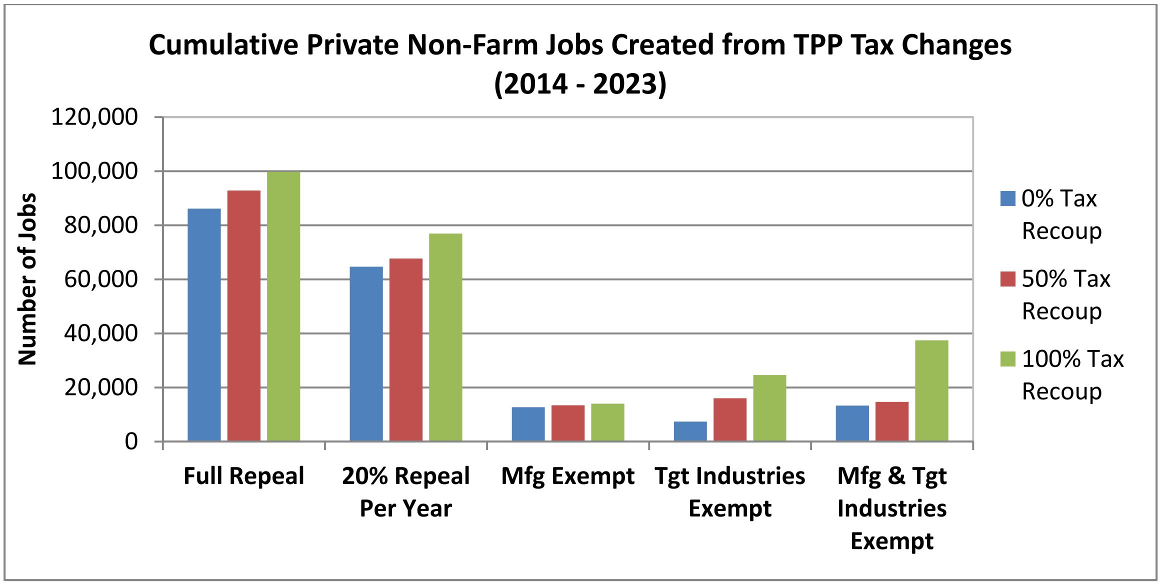
To model these scenarios in REMI, local government spending is reduced by the amount of TPP tax revenue reduction. In the first scenario, local government spending is reduced by the amount that a total repeal of TPP tax would equate to. For the second scenario, local government spending is reduced by half of the TPP tax. For the third scenario local government spending is assumed to stay the same.

For Scenarios 2 and 3 for each simulation, the recoupment of lost TPP taxes is modeled by simulating the increase of real property taxes by that amount. The result of this is increased production costs for all industries in Florida and increased living costs for homeowners and renters. To be clear, no matter which industries receive lower capital costs by the elimination of TPP tax, when those taxes are replaced by real property it will cause production costs for all industries to go up. Industries that have intensive real-property inputs will pay more than those that are less intensive in real-property inputs.

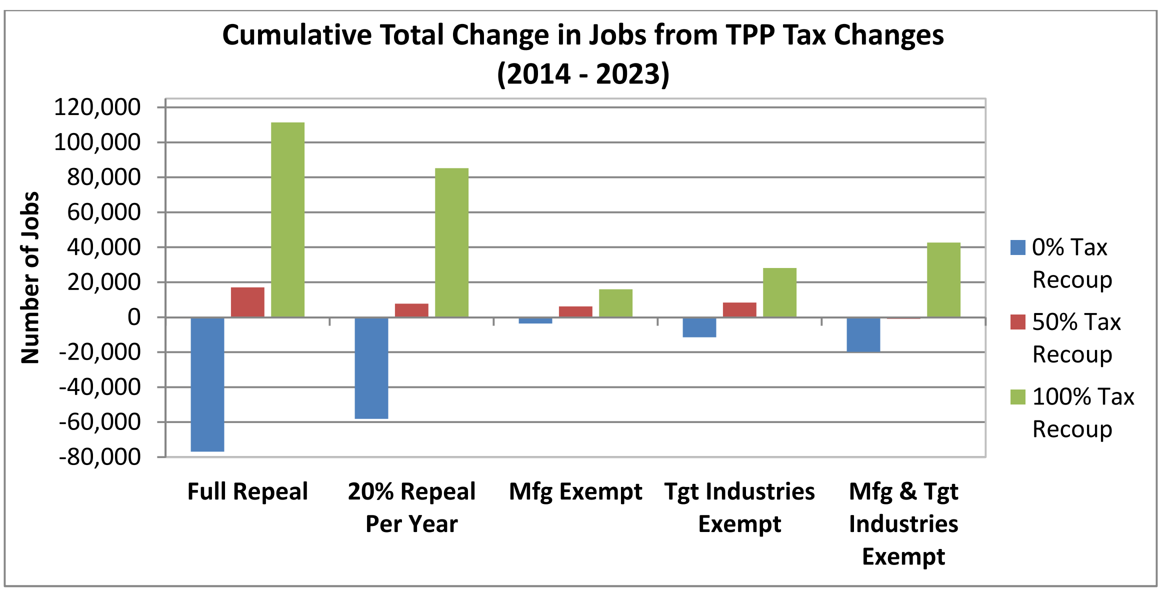
Results of Econometric Simulations of TPP Full and Partial Repeal

Comparison of all Scenarios

The chart below shows the results of all five of the simulations with each of the scenarios tested. The “0% Tax Recoup” bars in blue, show the scenario where local government spending is reduced by the amount of the TPP tax, and none of the lost TPP tax revenue is recovered by increasing the tax rate on real property. Under the “50% Tax Recoup” scenario, local government spending is reduced by half of the lost TPP tax revenue, and half of the TPP tax receipt loss is made up by increasing the tax rate on real property. Finally, the “100% Tax Recoup” scenario shows where local government spending is not changed, and the lost TPP tax revenue is recovered by increasing the tax rate on real property.

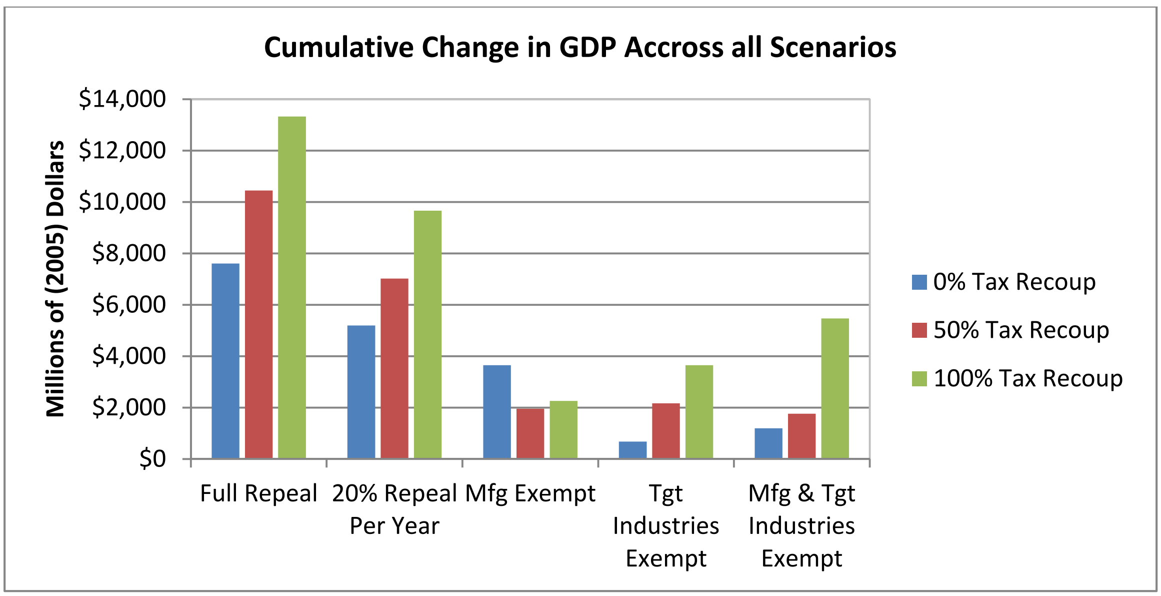


Although some of the results in the above chart might be counterintuitive, the chart below demonstrates some of the dynamics in the REMI model that lead to the results. In each case when local government spending is reduced, one of the features of the REMI model is that it decreases local government employment, rather than cutting programs, which perhaps would be the most likely action at the local government level. In each case of "0% Tax Recoup", local government employment is immediately affected. In these cases, the loss in government employment overwhelms gains in the private non-farm employment sector and the cumulative total jobs over the 10-year horizon is negative for all the scenarios as shown in the chart below.



Where local government spending is only reduced by half of the TPP tax loss, as shown in the "50% Tax Recoup" scenarios in red in the chart on the previous page, local government employment drops only by half the level of in the "0% Tax Recoup" scenario. By the end of the 10-year horizon of this simulation, private non-farm employment has been able to increase by more than the amount of local government employment in four of the five scenarios, producing a net job gain.

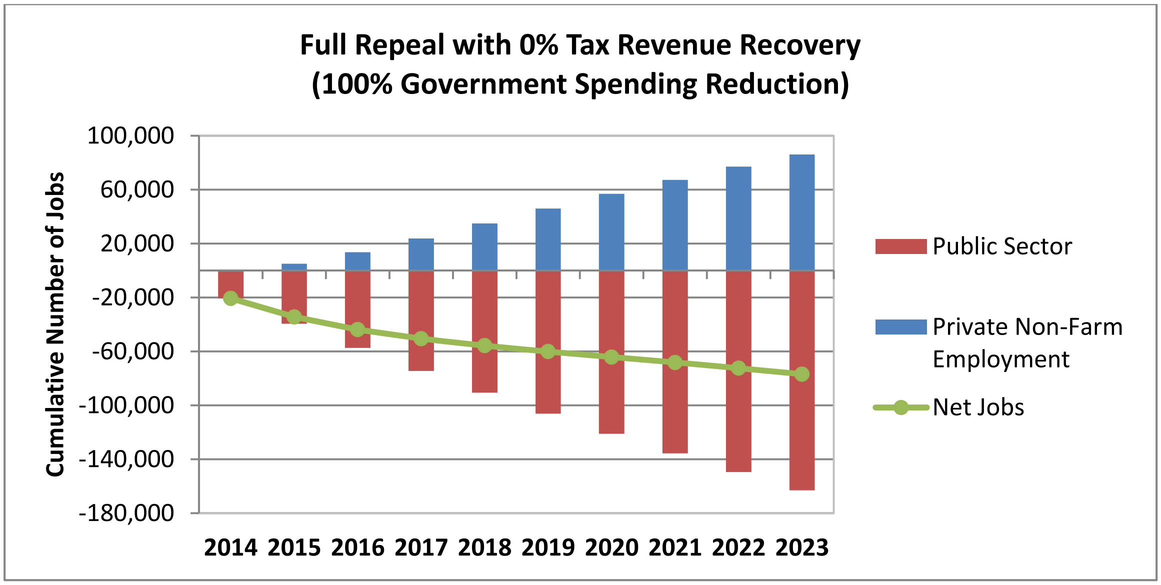
In the scenario "100% Tax Recoup", the model does not drop local government employment because there is assumed to be no change in tax receipts. Therefore the private non-farm employment gains begin to affect net job creation immediately because they do not have to overcome significant local government employment losses. The graph below shows the cumulative change in gross domestic product after 10 years of amendment or appeal of the TPP tax across all scenarios and simulations.



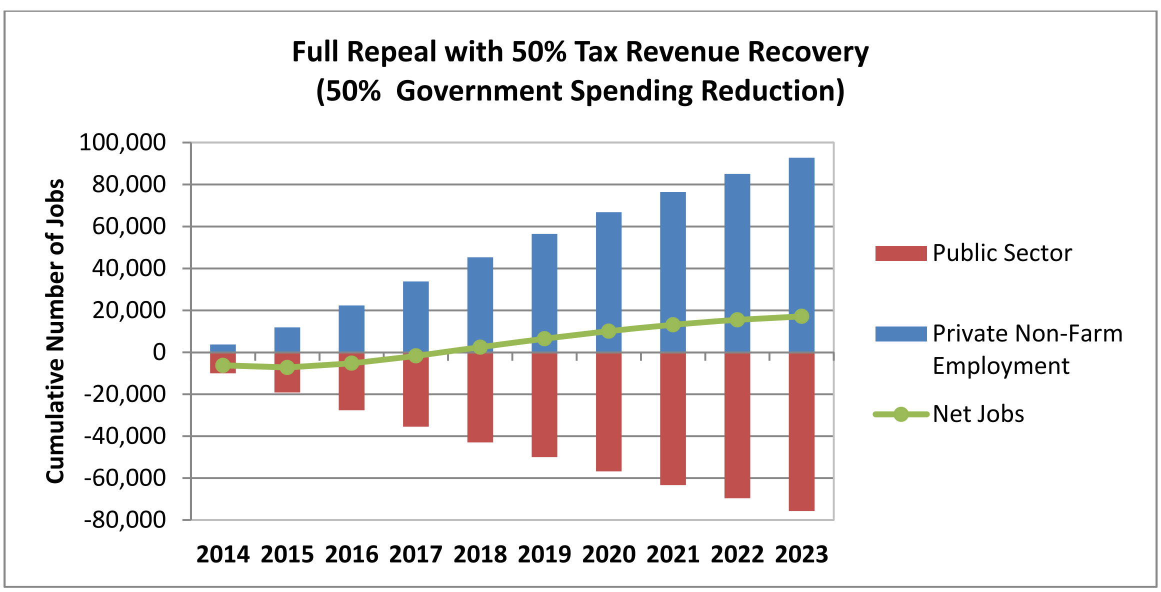
The change in GDP across all scenarios is positive and has a trend that is similar to the change in total private non-farm employment mentioned above. One should note that in the manufacturing exempt simulation with the zero percent tax revenue recovery, GDP is actually higher than those scenarios in which 50 percent or 100 percent of tax revenues is recovered. This suggests that giving the manufacturing sector incentive to invest in tangible personal property has a greater positive effect on GDP that ripples through Florida's economy than does the negative effect from reduction in government tax revenues. In the zero percent tax revenue recovery scenario, across all other simulations GDP is lower than if a partial or total recovery of government tax revenues replaces what is lost in TPP tax revenues.

In the following sections, we will look at more detail of each of the simulations.

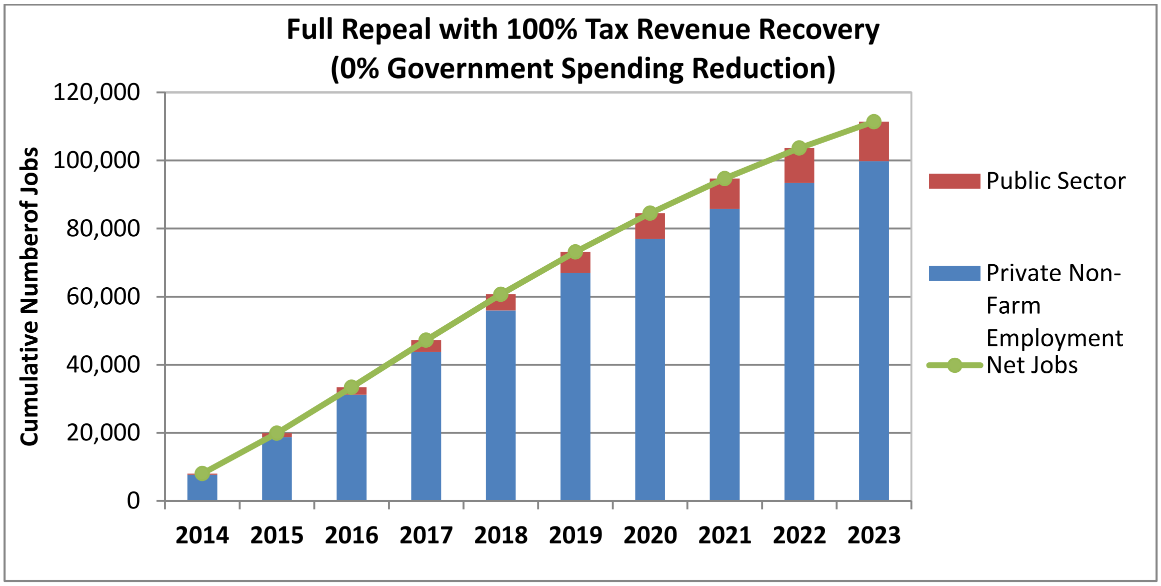
1. Full Repeal



A full repeal of TPP tax with 100 percent reduction in government spending causes a significant amount of public sector job loss in the model simulation, and has a net negative job creation. The number of public sector jobs lost overwhelms the number of private non-farm jobs gained. A cumulative net loss of 76,850 jobs is estimated if local government spending in the model is reduced by the full amount of the TPP tax loss with no replacement of those lost revenues by local governments.



The cumulative number of private non-farm jobs is slightly higher than the number of public sector jobs lost. Approximately a cumulative 17,100 jobs will be gained in total by 2023 with a full repeal of PPT tax and 50 percent reduction in government spending.

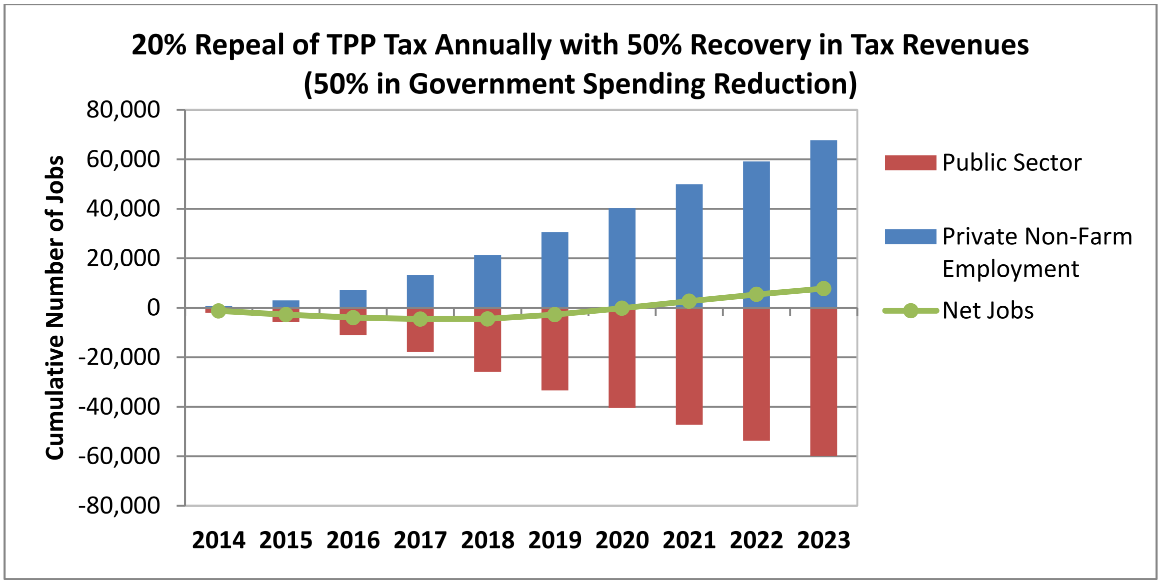


There is no job loss and only a positive increase in job creation with a full repeal of the TPP tax and a zero percent reduction in government spending. Approximately 111,371 jobs will be created cumulatively by 2023, the vast majority of which are made up of private non-farm employment as shown in the chart above.

A "baseline scenario" will be used for the remainder of the scenarios of repealing or reducing tangible personal property taxes. The baseline scenario will be a 50 percent recovery in tax revenues. Graphs showing all three scenarios, with zero percent, 50 percent and 100 percent recovery of tax revenues can be found in the appendix for the following simulations.

2. 20% Phase out of Tangible Personal Property Tax

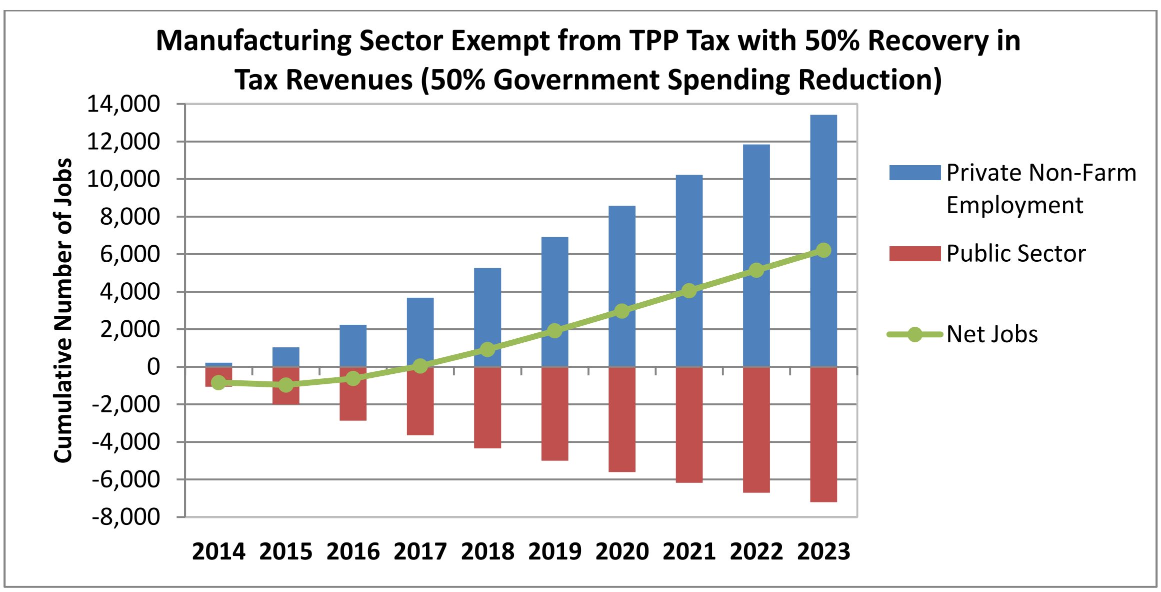
The chart below shows the scenario where TPP is repealed, but is phased in at 20 percent of the total each year. Compared to the simulation where all of it is repealed the first year, the local government job losses are significantly less in the early years. There are also not as many private non-farm jobs created in this scenario when compared to the full repeal in the first year.



One of the key results is that net job creation is positive in the scenario in which the TPP tax is phased out over five years beginning in 2014.

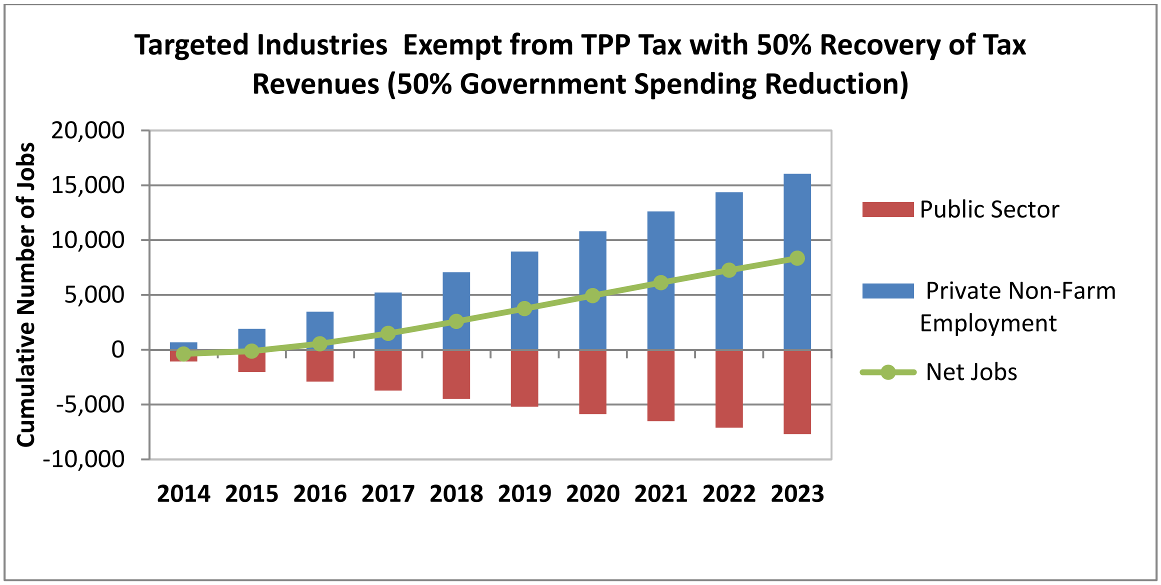
3. Manufacturing Sector Exempt from TPP Tax

In the simulation of exempting the manufacturing sector from TPP taxes, a clear positive net job creation occurs. This is a result of the lower cost of capital allocated to manufacturers, who have the highest multiplier of all industries. As seen in the chart below, although lower government spending in the simulation decreases local government jobs, the gains from private non-farm jobs overwhelms the losses of local government jobs.



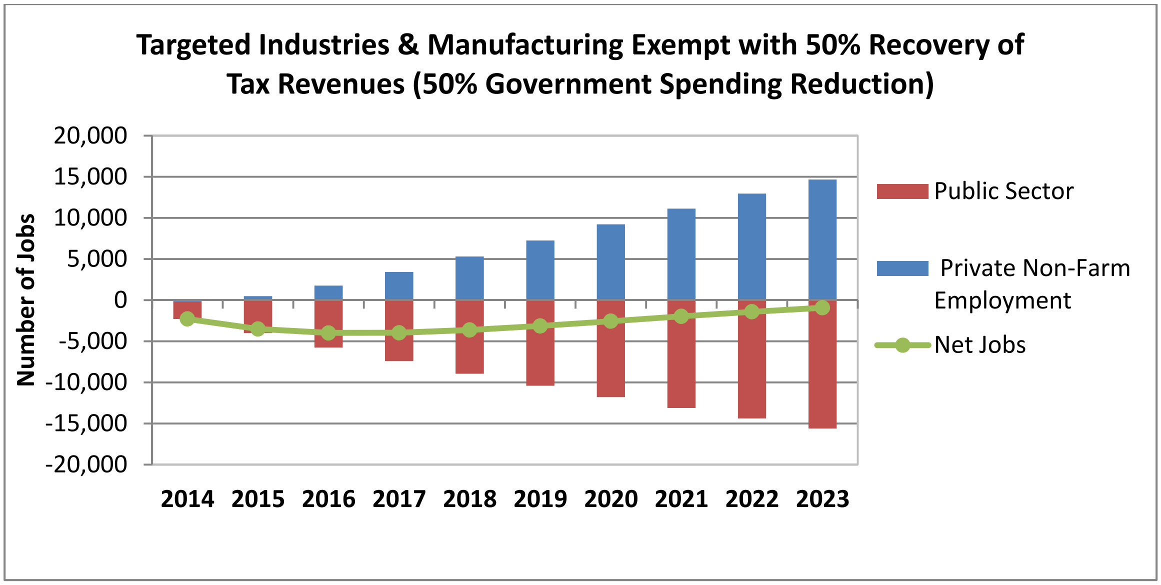
4. Target Industry Sectors Exempt from TPP Tax

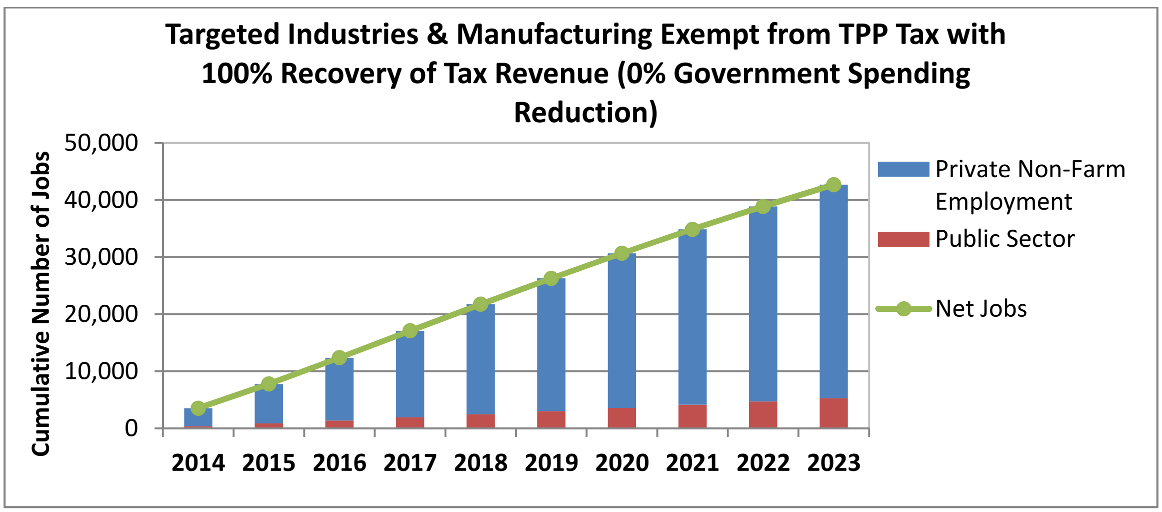
In the simulation of Targeted Industries being exempt from TPP tax, net jobs increase similarly to those in the manufacturing simulation.



5. Both Manufacturing & Target Industry Sectors Exempt from TPP Tax

The chart below indicates the simulation when both the Targeted Industries and all manufacturers are exempt from TPP tax. One can see that the loss of local government employment is higher than in the previous scenarios. Due to a higher loss of local government employment (and the wages associated with those jobs), the increase in private non-farm employment is less than in some of the earlier scenarios. However, assuming the likely outcome that most counties will replace the lost revenue of the less costly exemptions, exempting both manufacturing and target industries shows the most private-sector jobs, the most total jobs and largest GDP increase over the ten-year period of the simulation. Compared to total repeal, this narrower exemption produces more jobs relative to the size of the tax reduction.





The Impact of Attracting More Businesses to the State

One likely scenario if TPP taxes are reduced or eliminated is that Florida could attract more businesses to relocate to the state, since Florida would be the only southeastern state to exempt TPP. To simulate increased relocations to Florida, two scenarios were developed for simulation modeling. For these proposed job scenarios, estimates of 1 percent and 3 percent additional manufacturing job creation were modeled. Given that there are approximately 300,000 manufacturing jobs in the state of Florida, the estimates used were 3,000 and 9,000 new jobs per year. Alternative scenarios were also run showing the impact of adding the same numbers of non-manufacturing jobs. This shows the difference between 9,000 manufacturing jobs and 9,000 jobs allocated in current proportions to other existing industries in the state.

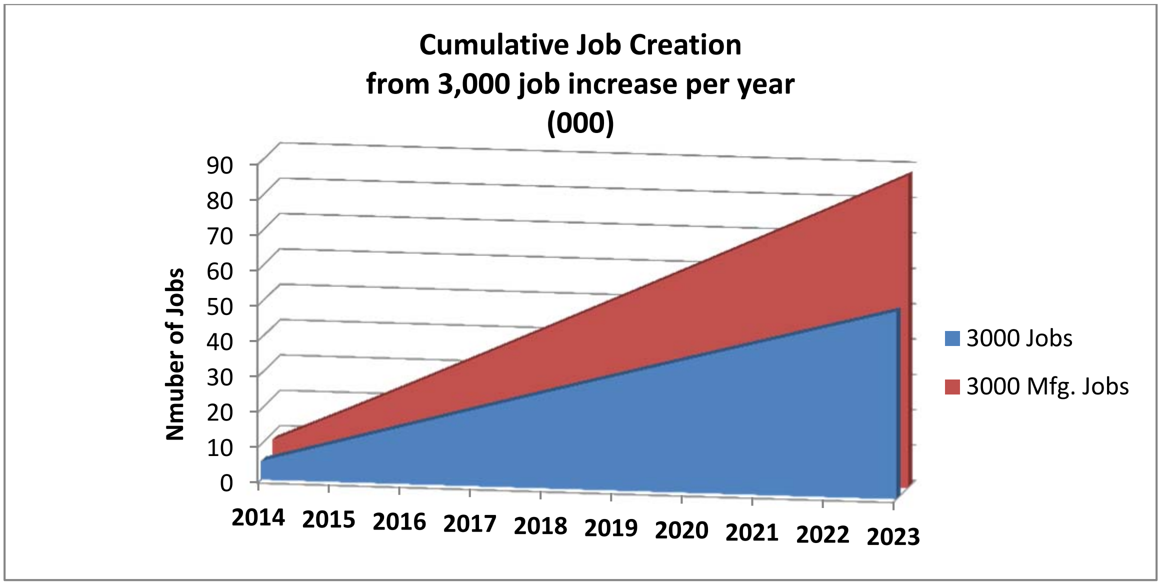
These jobs (both scenarios of 3,000 jobs/year and 9,000 jobs/year) were created exogenously. In other words, the model demand was not manipulated to increase jobs. Although it can be done, that technique increases the difficulty of separating the effects and interpreting the results.

An important point to note is that these job increases do not account for any construction of new buildings or retrofitting old buildings to start production. Implict in the assumption is that the new employees would be fit in existing firms. It is reasonable to assume that some unknown new construction and retrofitting (likely a significant amount) would occur with the introduction of new firms to Florida. The increased construction and retrofitting would create a significant amount of extra economic activity. Therefore these estimates should be viewed as highly conservative.

Simulation 1 – Increase Manufacturing Jobs by One Percent per Year

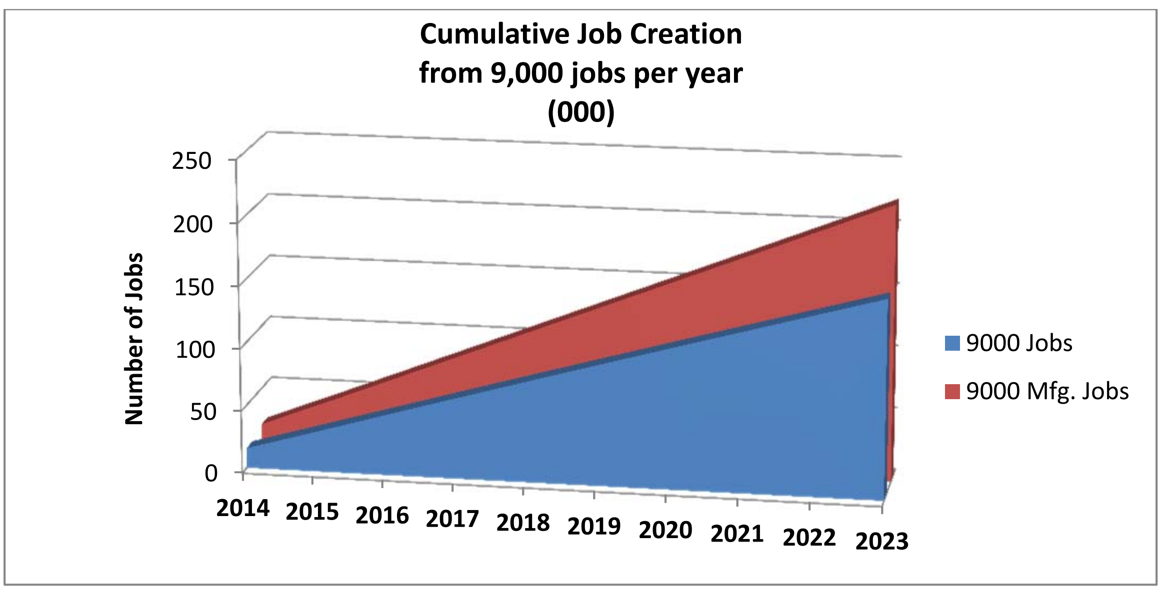
In this scenario, jobs were created two ways. First, the 3,000 jobs were allocated only to manufacturing. These were allocated in proportion to the existing manufacturing in Florida. Each type of job created has a multiplier in that one new job helps create jobs in the input and output sectors of the economy. In manufacturing's case, it has the largest multiplier of any industry. Secondly, the 3,000 jobs were allocated across all sectors of the Florida economy in the existing proportions of industry. Therefore, some of the jobs went to manufacturing many went to tourism, agriculture, mining and all the other sectors. One can see on the chart below that allocating all the jobs to manufacturing produced significantly more jobs each year. Over the 10-year time frame of this simulation, when jobs were allocated across all sectors, there were approximately 53,000 jobs created. When the new jobs were strictly manufacturing jobs, there were a total of 88,300 created. This means that more than an additional 35,000 jobs were created in Florida when all the 3,000 yearly jobs were allocated to manufacturing.

This supports the Task Force's conclusion that targeted TPP exemptions for manufacturing and target industries would produce a larger positive impact per dollar of tax reduction than the average sector.



Simulation 2: Increase Manufacturing Jobs by Three Percent per Year

To simulate an increase of 3 percent of manufacturing jobs, the same technique as above was used. The same technique of adding jobs exogenously was used; therefore these simulation results are directly comparable to the above smaller increase.



From the chart above, each year there is an extra increase in job creation for manufacturing jobs relative to the allocation to all industries on a proportional basis. In the case of all industries, an increase of 9,000 jobs per year and its associated multiplier effect creates a total of 159,200 Florida jobs over the 10-year period of the simulation. If those 9,000 jobs were all manufacturing jobs, the total becomes approximately 220,400 jobs. This is an increase of more than 60,000 jobs created over the 10-year period when the new jobs are allocated only to manufacturing.

Conclusion and Recommendations

While the total repeal of tangible personal property (TPP) taxes in Florida would likely create a significant added attraction for businesses that are considering locating here, the current environment is certainly not favorable for reducing the revenue of schools and local governments by $1.8 billion. Local governments' property tax bases have already declined by 21 percent since 2007 and low growth is forecast for next several years. While some of the larger, more prosperous counties could probably absorb lost TPP taxes, it would create some real problems for many smaller, fiscally constrained counties. The state has also seen its revenues shrink for several years and growth is not expected to exceed the growth in large, costly programs like Medicaid and Education. Billions of dollars in budget cuts have already been implemented. The Legislature would have to find an additional $780 million in state money to replace the lost funding for schools—or raise taxes—to avoid a reduction in education funding.

The Legislature should strive for the future total elimination of ad valorem taxation of tangible personal property in the future, when property values are growing at a significant level again. This could help avoid repeating the experience during the housing bubble, when local governments did not roll-back millage rates enough, instead spending huge increases in property tax revenues. Spending this windfall allowed many local governments to budget at unsustainable levels, making dealing with the subsequent drop in property tax value even more difficult.

Instead of trying to totally eliminate TPP taxes now, the state should look at providing target economic development exemptions from TPP taxes that can promote capital investment in Florida and create jobs. Exempting all manufacturing and the state's Qualified Targeted Industries would probably provide the most "bang for the buck." These types of industries are not captive and often taxes play a large role in location decisions. In addition, economic simulation modeling shows that exempting manufacturing and targeted industry businesses that are already here would provide a significant increase in private sector jobs and gross domestic product.

At a minimum, the state should exempt new and expanding businesses in these areas, but strive to provide full exemptions for these sectors. Exempting new and expanding businesses will not erode the current tax base and a full exemption would remove only a small part of the current property tax base, worth about $379 million in taxes. This is only 21 percent of current TPP taxes and only 1.5 percent of all property taxes.

Florida TaxWatch performed economic simulation modeling of five TPP tax reduction options. Full repeal of TPP taxes could create, depending on how local governments dealt with the revenue loss, as many as 100,000 total jobs over ten years. The loss of government jobs could reduce that total, depending on the extent to which local governments had to reduce spending.

Narrower exemptions for manufacturing and the target industries (both the state's Qualified Targeted Industries and high-impact sectors) were also modeled. All of these scenarios showed positive growth in private sector employment and gross domestic product. Assuming the likely outcome that most counties will replace the lost revenue of the less costly exemptions, exempting both manufacturing and target industries shows the most private- sector jobs, the most total jobs and largest GDP increase over the ten-year period of the simulation. Compared to total repeal, this narrower exemption produces more jobs relative to the size of the tax reduction.

The expectation that reducing or eliminating TPP taxes would attract more businesses to locate in Florida was also examined. This is a likely scenario since Florida would become the only state in the southeast to exempt TPP. If this exemption led to an increase in Florida manufacturing jobs of only one to three percent (3,000 to 9,000 jobs), between 88,300 and 220,400 <u>additional</u> jobs would be created over ten years. This is between 35,000 and 60,000 more jobs than would be created by the influx of the same number of new jobs allocated to all industries (instead of just manufacturing).

Constitutional Amendment Needed

To allow the Legislature needed flexibility to begin reducing tangible personal property taxes, a proposed constitutional amendment would be needed.

The following proposed constitutional amendment -- while not mandating any reductions in taxes-- would allow for a variety of options to be debated by the Legislature (underlined text is added language to the current *Florida Constitution. See footnote below*).[29]

> *Article VII, section 3:*
>
> *(e) By general law and subject to conditions specified therein, <u>not less than</u> twenty-five thousand dollars of the assessed value of property subject to tangible personal property tax shall be exempt from ad valorem taxation. <u>Pursuant to general law all tangible personal property, or the tangible personal property of specified industries or of new or</u>*

[29] This language should not be reviewed as fully vetted constitutional language. This language is meant only as a starting point for legislative deliberations on a proposed joint resolution.

expanding businesses, or of any combination of specified industries and new or expanding businesses, may be valued for taxation at a specified percentage of its value or may be exempted from taxation and the legislature may authorize local governments, in a manner prescribed by general law, to elect not to participate in such valuation at a specified percentage of value or exemption, in which event taxation of tangible personal property by a local government exercising such election shall be as otherwise prescribed in this constitution.

This language would preserve the current $25,000 exemption, while keeping the door open for possible future repeal. Allowing for taxation at a specified percentage of value would allow for a phase out that would apply to all taxpayers equally. For example under a five-year phase out, TPP could be taxed on the following schedule:

1st Year	80%
2nd Year	60%
3rd Year	40%
4th Year	20%
5th Year	0%

The amendment would also allow for the economic development targeted exemptions for manufacturing and the state's target industries and high impact sectors.

Acknowledging the fiscal strain that repeal—or even exemption—of TPP taxes may place on some local governments, the legislature could allow for local governments to "opt-out"—or continue to tax TPP. This should require a referendum—approval by local voters. Alternatively, the state could consider reimbursing local governments—particularly fiscally constrained counties-- for lost revenue. If manufacturing and targeted industries are exempted it would cost the state $379 million to reimburse all local governments (including schools) and relatively little to reimburse the small counties most effective by the exemption. To illustrate, the top 25 counties (in terms of levies) comprise 96 percent of the total state levies of the TPP of target industries and 90 percent of TPP levies on manufacturing.

In summary, the Florida Tangible Personal Property Tax Task Force recommends that the Legislature:

- Pass a joint resolution proposing a constitutional amendment (see language above) to go before the voters in November 2012 that gives the Legislature flexibility in the area of taxation of tangible personal property.

- In the short term, create TPP tax exemptions for all manufacturers and other state targeted industries and high impact sectors. At a minimum, the state should exempt new and expanding businesses in these areas, but strive to provide full exemptions for these sectors.

- The Legislature could allow for local governments—by referendum—to "opt-out", or continue to tax TPP. Alternatively, the state could consider reimbursing local governments—particularly fiscally constrained counties--for lost revenue.

- The Legislature should set a goal of future total elimination of ad valorem taxation of tangible personal property in the future, when property values are growing at a significant level again.

This Task Force report was written by Kurt Wenner, Florida TaxWatch Vice President for Tax Research, with assistance from Task Force members. Economic simulation modeling performed by Jerry D. Parrish, Ph.D., Chief Economist, with the assistance of and Katie Furtick, Research Analyst.

The Task Force thanks Florida Department of Revenue Executive Director Lisa Vickers and her staff for their considerable assistance in compiling the data used in this report.

Marshall Criser, III, Chairman; Dominic M. Calabro, President, Publisher, and Editor.

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Appendix A

Florida Tangible Personal Property Data
Targeted Industries and High Impact Sectors
2011

DESCRIPTION	NAICS	# of Accounts	JUST VALUE	TAXABLE VALUE
Clean Tech/Energy		**598**	**496,276,525**	**463,133,854**
Semiconductor and Other Electronic Components	33441	112	154,045,237	150,112,435
All Other Basic Organic Chemical Manufacturing	325199	5	92,254,706	92,129,706
Solar energy heating equipment manufacturing	333414	4	262,448	212,448
Turbine and Turbine Generator Set Units	333611	19	67,168,429	66,743,429
Industrial Gas Manufacturing	32512	46	22,490,025	21,606,262
Storage Battery Manufacturing	335911	5	760,366	635,366
Environmental Consulting Services	54162	103	13,325,065	11,320,573
Other Scientific and Technical Consulting Services	54169	227	42,224,622	38,188,264
R&D in the Physical, Engineering, and Life Sciences	541712	32	4,956,833	4,395,527
Sawmills	321113	39	93,388,010	72,539,060
Starch and Vegetable Fats and Oils Manufacturing	31122	6	5,400,784	5,250,784
Ethyl Alcohol Manufacturing	325193	0	0	0

DESCRIPTION	NAICS	# of Accounts	JUST VALUE	TAXABLE VALUE
Information Technology		**16,744**	**9,059,232,607**	**8,556,110,457**
Office Machinery Manufacturing	333313	28	2,363,143	2,086,243
Computer and Peripheral Equipment Manufacturing	33411	60	92,022,314	90,789,095
Telephone Apparatus Manufacturing	33421	23	60,472,196	60,072,196
Radio, TV and Wireless Communications Equipment Manufacturing	33422	270	62,617,439	60,996,998
Semiconductor and Other Electronic Components	33441	112	154,045,237	150,112,435
Software Publishers	51121	77	20,725,917	19,200,079
Telecommunications	517	14,530	8,357,218,870	7,880,582,577
Data Processing, Hosting, and Related Services	518	636	114,230,973	110,897,114
Computer Systems Design and Related Services	5415	1,008	195,536,518	181,373,720

Appendix A

Florida Tangible Personal Property Data
Targeted Industries and High Impact Sectors
2011

DESCRIPTION	NAICS	# of Accounts	JUST VALUE	TAXABLE VALUE
Life Sciences		**713**	**789,521,301**	**771,462,701**
Pharmaceutical and Medicine Manufacturing	32541	96	193,460,706	189,375,198
Semiconductor and Other Electronic Components	33441	112	154,045,237	150,112,435
Analytical Laboratory Instrument Manufacturing	334516	6	1,916,484	1,791,484
Irradiation Apparatus Manufacturing	334517	2	392,047	342,047
Medical Equipment and Supplies Manufacturing	3391	389	361,983,844	354,328,429
R&D in the Physical, Engineering, and Life Sciences	54171	108	77,722,983	75,513,108
Aviation and Aerospace		**337**	**321,152,941**	**312,670,959**
Aerospace Product and Parts Manufacturing	3364	136	220,697,138	216,085,844
Fluid Power Valve and Hose Fitting	332912	9	1,428,155	1,228,155
Fluid Power Cylinder and Actuator Manufacturing	333995	1	13,189,219	13,164,219
Fluid Power Pump and Motor Manufacturing	333996	2	16,138,237	16,088,237
Search, Detection, Navigation, Guidance, Aeronautical, and Nautical System and Instruments	334511	20	25,165,541	24,765,541
Other Support Activities for Air Transportation	48819	169	44,534,651	41,338,963

Appendix A

Florida Tangible Personal Property Data
Targeted Industries and High Impact Sectors
2011

DESCRIPTION	NAICS	# of Accounts	JUST VALUE	TAXABLE VALUE
Financial Services		**3,797**	**750,731,039**	**679,202,885**
Monetary Authorities-Central Bank	521	493	110,976,886	98,768,461
Nondepository Credit Intermediation	5222	750	114,948,624	100,976,655
Activities Related to Credit Intermediation	5223	789	174,875,415	161,100,378
Securities, Commodity Contracts, and Related Activities	523	1,298	225,677,052	202,833,052
Insurance Carriers	5241	324	109,250,653	102,432,645
Funds, Trusts, and Other Financial Vehicles	525	143	15,002,409	13,091,694
Corporate Headquarters		**94**	**49,741,761**	**47,544,936**
Corporate, Subsidiary, and Regional Managing Offices	551114	94	49,741,761	47,544,936
Research and Development	5417	**148**	**86,393,885**	**83,350,617**
Scientific Research and Development Services	5417	148	86,393,885	83,350,617

Appendix A

Florida Tangible Personal Property Data
Targeted Industries and High Impact Sectors
2011

DESCRIPTION	NAICS	# of Accounts	JUST VALUE	TAXABLE VALUE
Transportation		**297**	**351,066,628**	**343,118,265**
Aerospace Product and Parts Manufacturing	3364	136	220,697,138	216,085,844
Fluid Power Valve and Hose Fitting Manufacturing	332912	9	1,428,155	1,228,155
Fluid Power Cylinder and Actuator Manufacturing	333995	1	13,189,219	13,164,219
Fluid Power Pump and Motor Manufacturing	333996	2	16,138,237	16,088,237
Motor Vehicle Manufacturing	3361	37	21,127,131	20,349,937
Motor Vehicle Body Manufacturing	336211	3	306,317	256,317
Military Armored Vehicle, Tank, and Tank Components	336992	1	457,448	432,448
R&D in the Physical, Engineering, and Life Sciences	54171	108	77,722,983	75,513,108
Homeland Security/Defense		**1,323**	**565,969,499**	**544,776,800**
Optical Instrument and Lens Manufacturing	333314	64	202,741,866	201,266,866
Search, Detection, Navigation, Guidance, Aeronautical, and Nautical System and Instruments	334511	20	25,165,541	24,765,541
Small Arms Ammunition Manufacturing	332992	3	6,567,345	6,492,345
Ammunition (except Small Arms) Manufacturing	332993	2	1,068,161	1,018,161
Other Ordnance and Accessories Manufacturing	332995	8	1,009,766	984,760
Military Armored Vehicle, Tank, and Tank Component	336992	1	457,448	432,448
Ship and Boat Building	3366	217	133,422,854	128,442,959
Computer Systems Design and Related Services	5415	1,008	195,536,518	181,373,720

Appendix B

eflorida.com — QUALIFIED TARGETED INDUSTRIES FOR INCENTIVES

MANUFACTURING
CORPORATE HEADQUARTERS
RESEARCH & DEVELOPMENT

CLEANTECH

- Biomass & Biofuels Processing
- Energy Equipment Manufacturing
- Energy Storage Technologies
- Photovoltaic
- Environmental Consulting

LIFE SCIENCES

- Biotechnology
- Pharmaceuticals

MEDICAL DEVICES:

- Laboratory and Surgical Instruments
- Diagnostic Testing

INFOTECH

- Modeling, Simulation and Training
- Optics and Photonics
- Digital Media
- Software
- Electronics
- Telecommunications

AVIATION / AEROSPACE

AVIATION:

- Aircraft and Aircraft Parts Manufacturing
- Maintenance Repair and Overhaul of Aircrafts
- Navigation Instrument Manufacturing
- Flight Simulator Training

AEROSPACE:

- Space Vehicles and Guided Missile Manufacturing
- Satellite Communications
- Space Technologies
- Launch Operations

HOMELAND SECURITY / DEFENSE

EQUIPMENT:

- Optical Instruments
- Navigation Aids
- Ammunition
- Electronics

TRANSPORTATION:

- Military Vehicles
- Shipbuilding and Repair

TECHNOLOGY:

- Computer Systems Design
- Simulation and Training

FINANCIAL / PROFESSIONAL SERVICES

FINANCIAL SERVICES:

- Banking
- Insurance
- Securities and Investments

PROFESSIONAL SERVICES:

- Corporate Headquarters
- Engineering
- Legal
- Accounting
- Consulting

EMERGING TECHNOLOGIES

- Global Logistics
- Marine Sciences
- Materials Science
- Nanotechnology

OTHER MANUFACTURING

- Food and Beverage
- Automotive and Marine
- Plastics and Rubber
- Machine Tooling

Businesses able to locate in other states and serving multi-state and/or international markets are targeted. Call Centers and Shared Service Centers may qualify for incentives if certain economic criteria are met. Retail activities, utilities, mining and other extraction or processing businesses, and activities regulated by the Division of Hotels and Restaurants of the Department of Business and Professional Regulation are statutorily excluded from consideration. All projects are evaluated on an individual basis and therefore operating in a target industry does not automatically indicate eligibility.

For additional information about Florida's business advantages, please visit Enterprise Florida's website at www.eflorida.com or call 407.956.5600.

Rev. 2/11

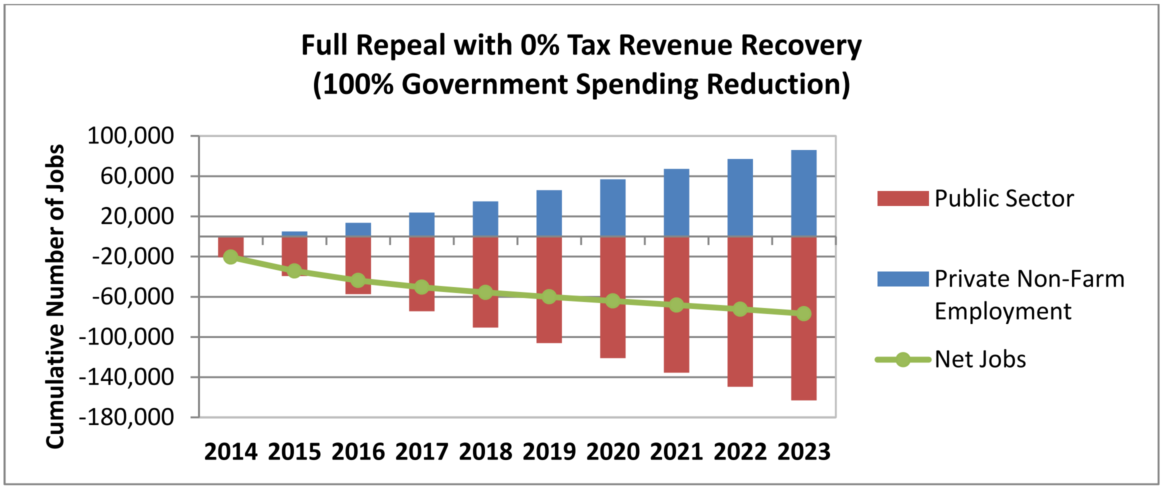
Appendix C

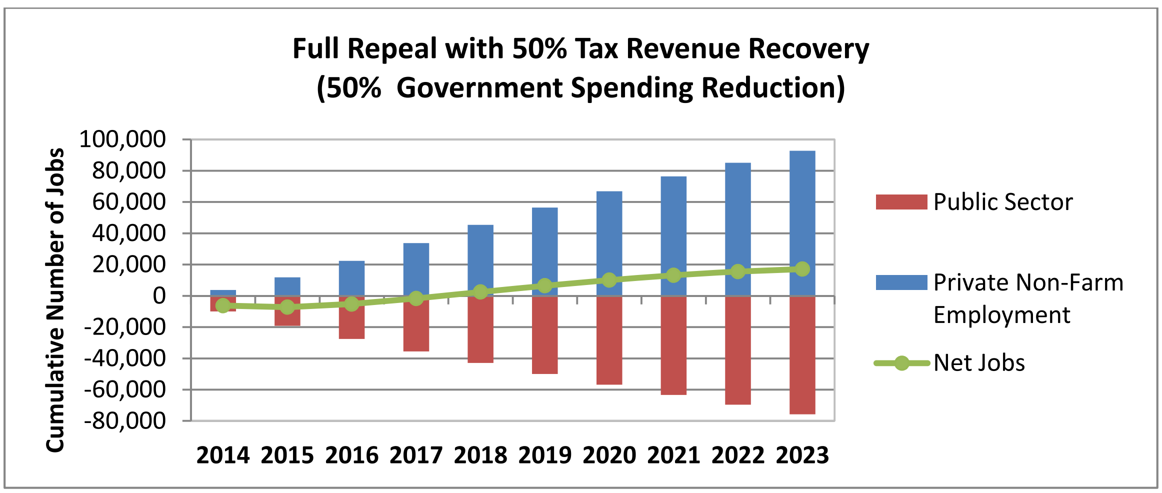
High Impact Sectors

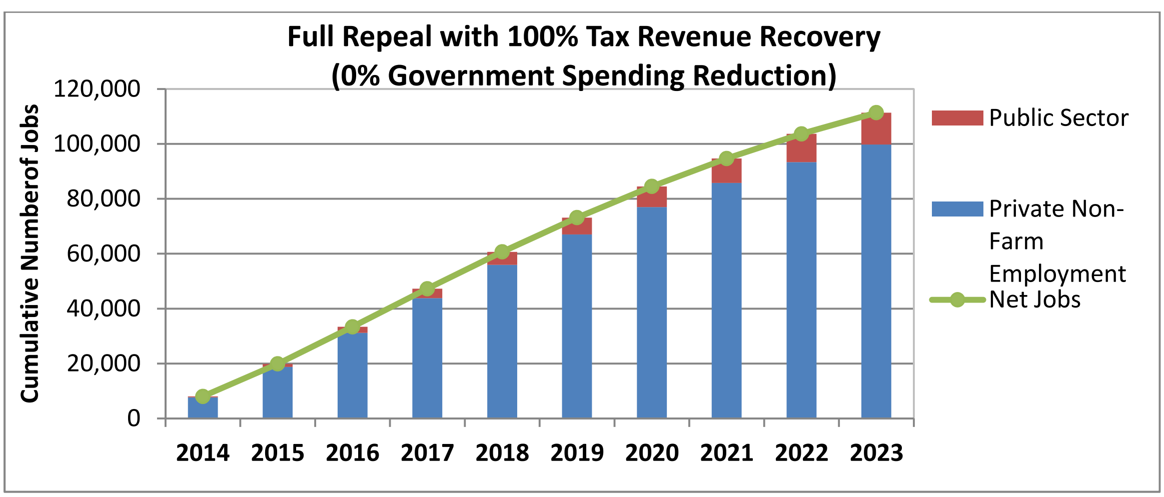
High Impact Sector	Date Certified	Designated SIC Codes	Designated NAICS Codes	Potential Eligible SIC to NAICS Conversion	HIPI	CITC
Semiconductors	Statute 288.106		334413		Yes	Yes
Transportation	08/18/97	372, 376, 3711	336412, 336413, 332912, 333995, 333996	336111, 336112, 336120, 336211, 336992, 336411, 336414, 336415, 336419, 541710	Yes	Yes
Information Technology	03/25/99	357, 366, 367, 481, 482		333313, 334111, 334112, 334113, 334119, 334210, 334220, 334411, 334412, 334413, 334418, 334419, 511210, 517110, 517210, 517410, 517911, 518210, 541511, 541512, 541513, 541519	No	Yes
Life Sciences	10/03/02		325411, 325412, 325413, 325414, 334510, 334516, 334517, 339111, 339112, 339113, 339114, 339115, 541710		Yes	Yes
Financial Services	12/28/04		52111, 52221, 5222, 5229, 52231, 52232, 52239, 52311, 52312, 52313, 52314, 52321, 52391, 52392, 52393, 52399, 52411, 52414, 52413, 52511, 52519, 52591, 52592, 52599		Yes	Yes
Corporate Headquarters	12/21/06		551114		Yes	Yes
Clean Energy	09/02/08		31122, 321113, 325193, 325199, 334410, 333611, 325120, 335911, 54162, 54169, 541712		Yes	Yes

Appendix D

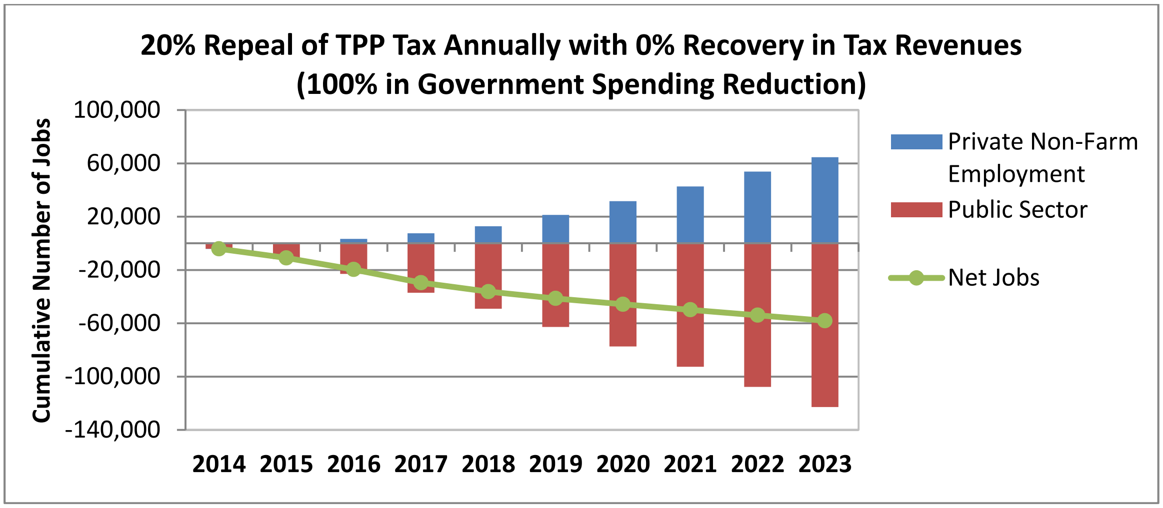
Total Repeal of TPP Tax

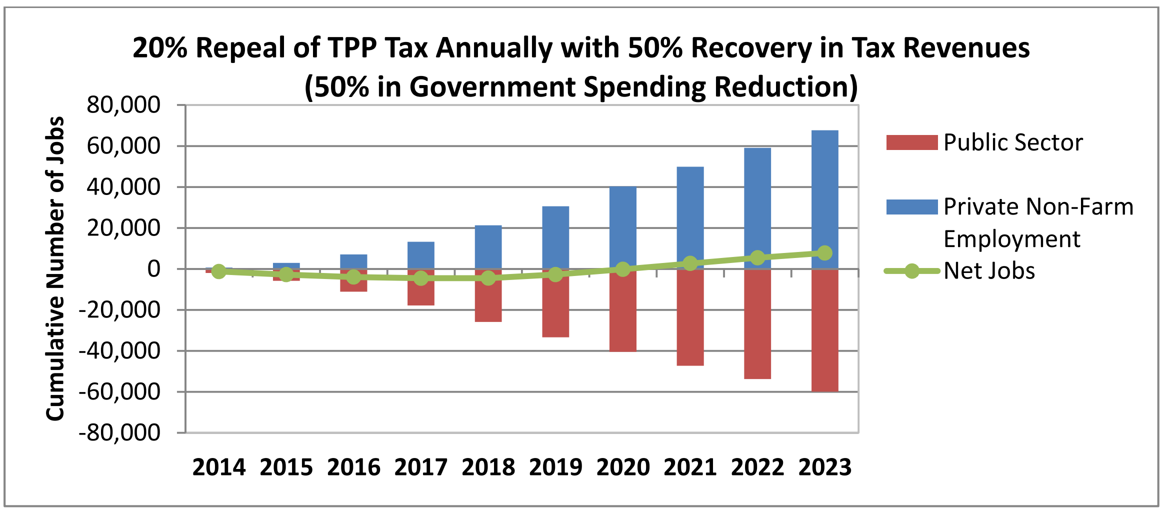


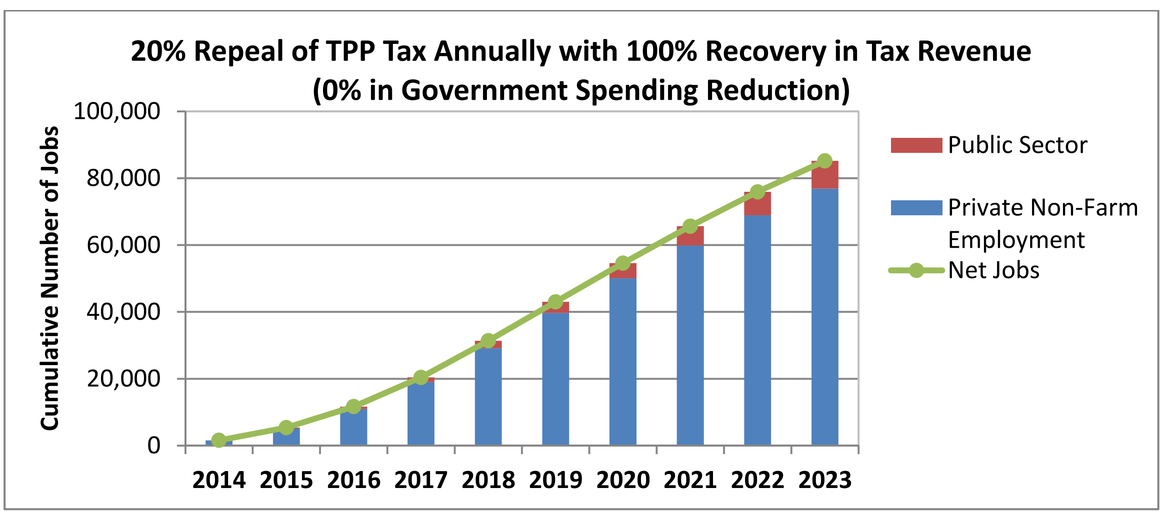




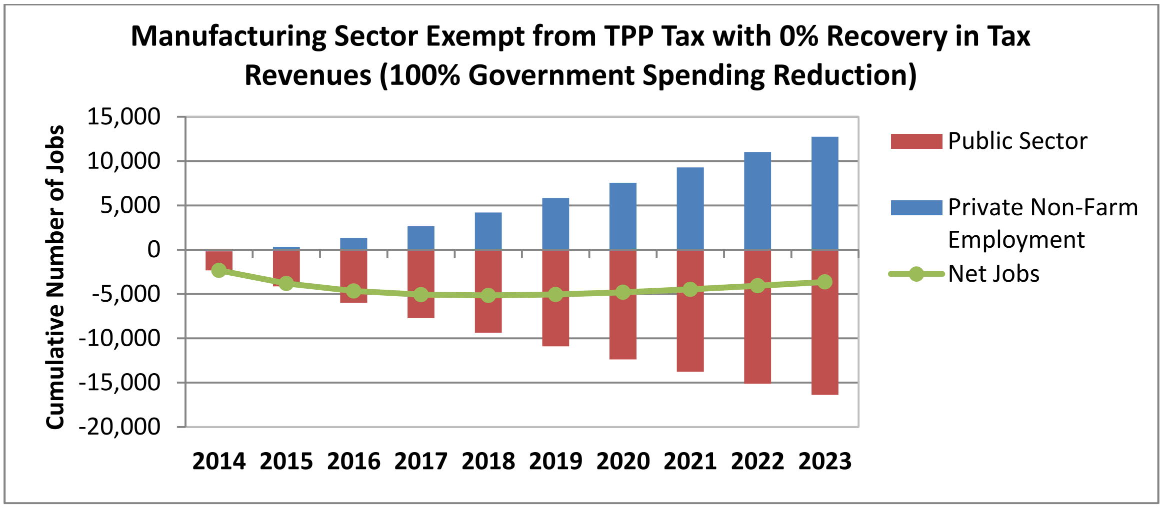
Five-Year Phase-out of TPP Tax

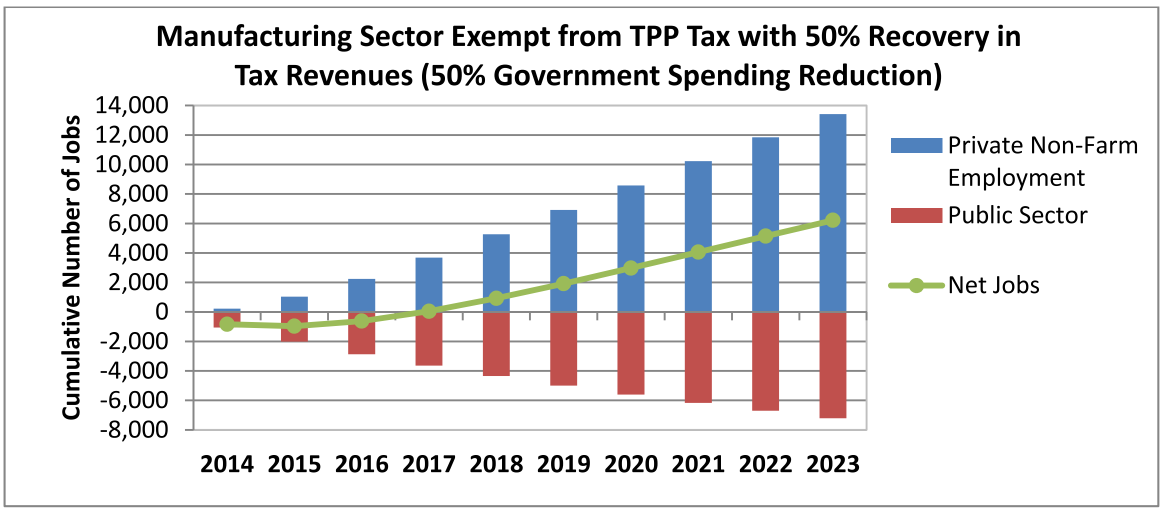


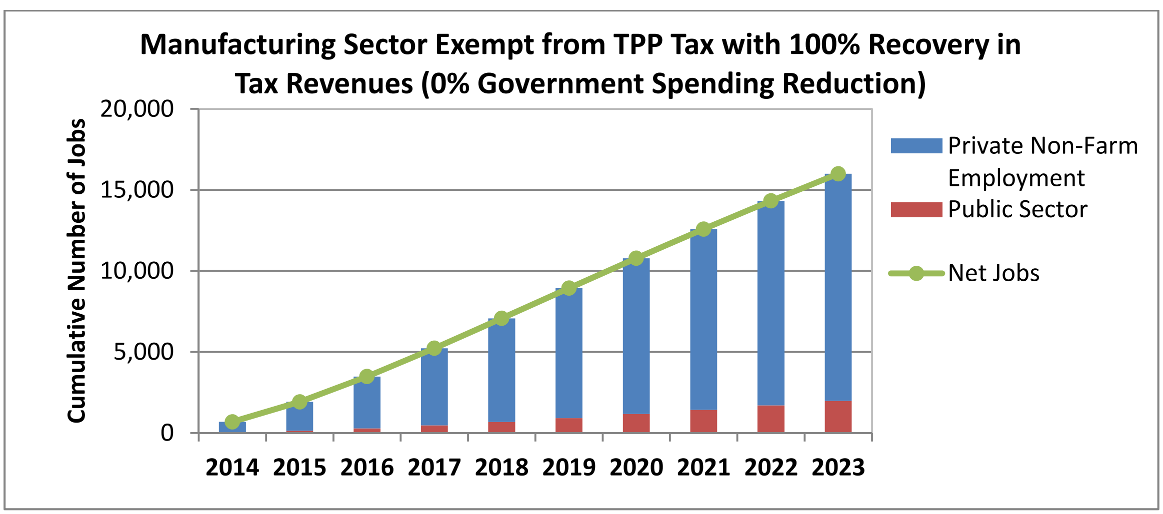




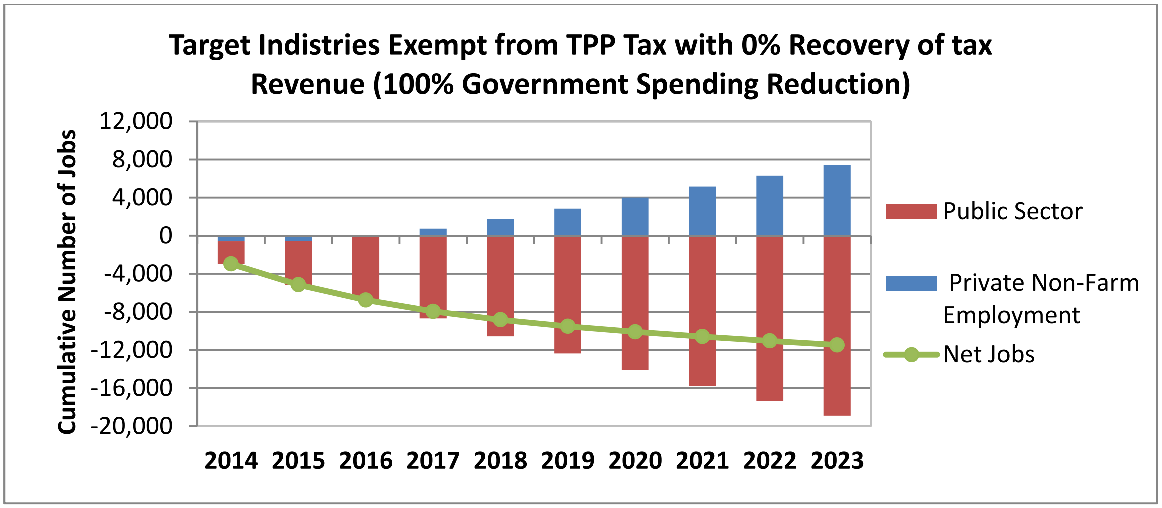
Manufacturing Sector Exempt from TPP Tax

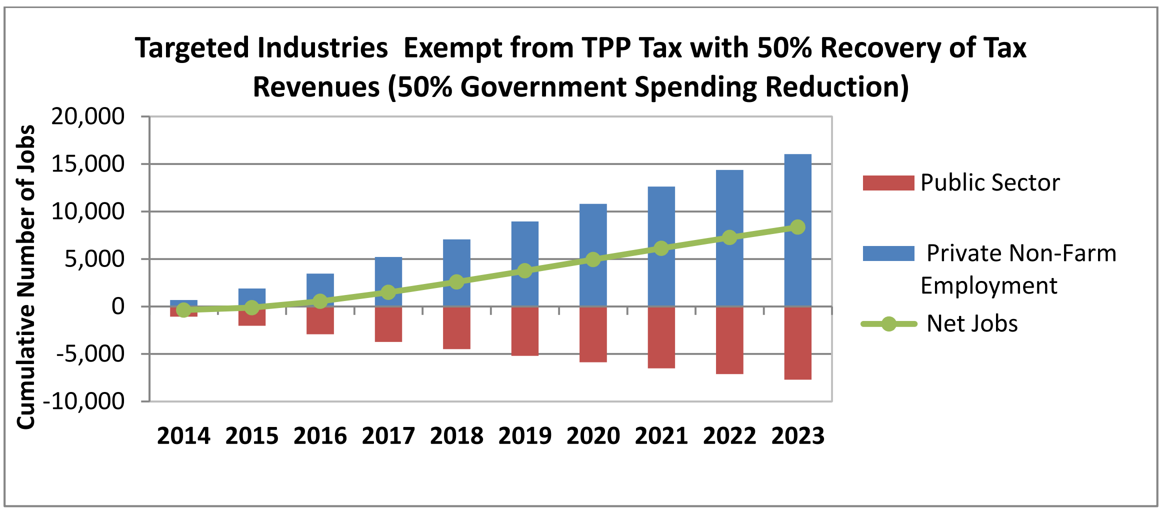


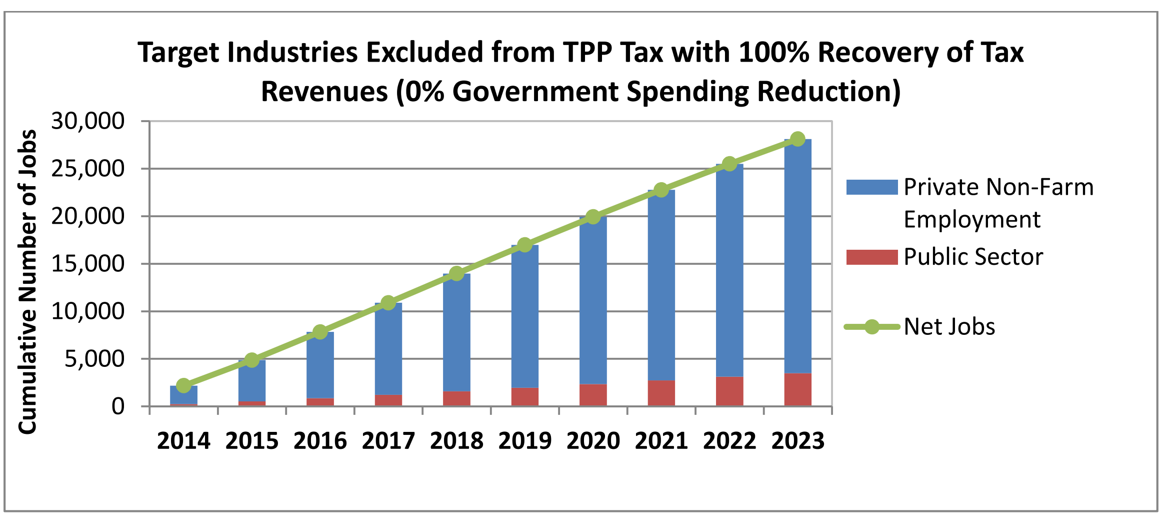




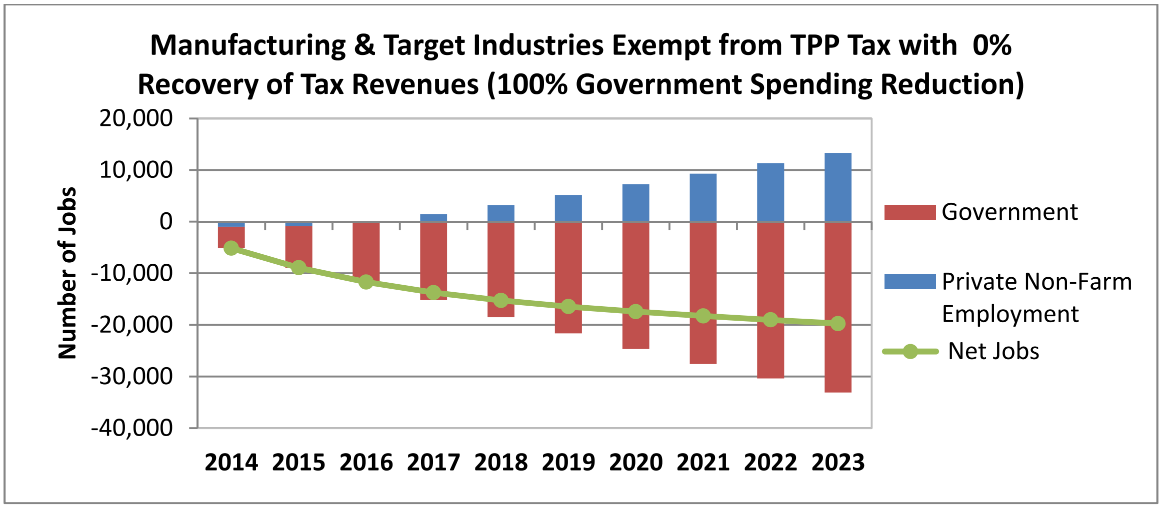
Target Industries Exempt from TPP Tax

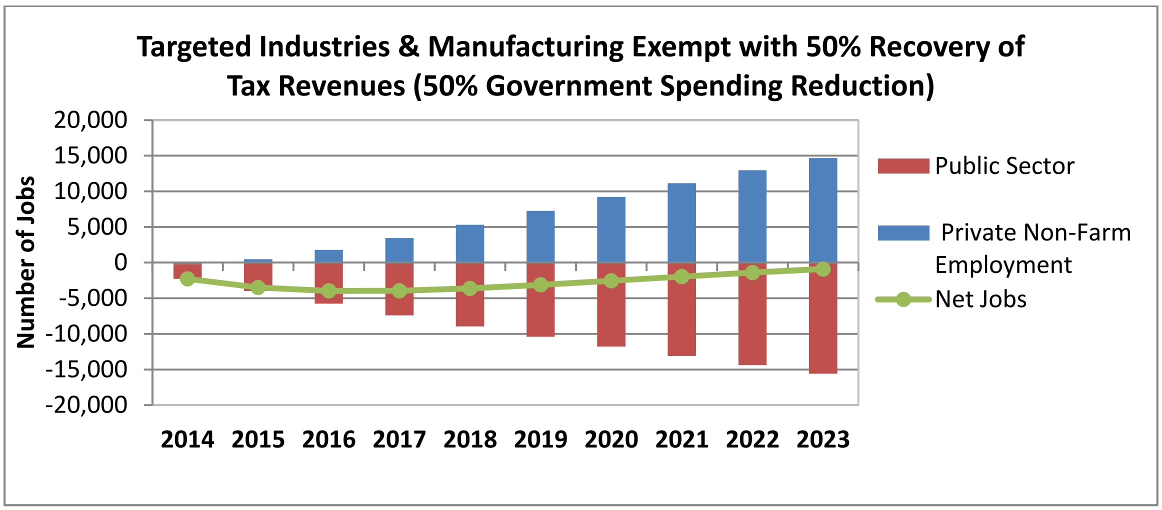


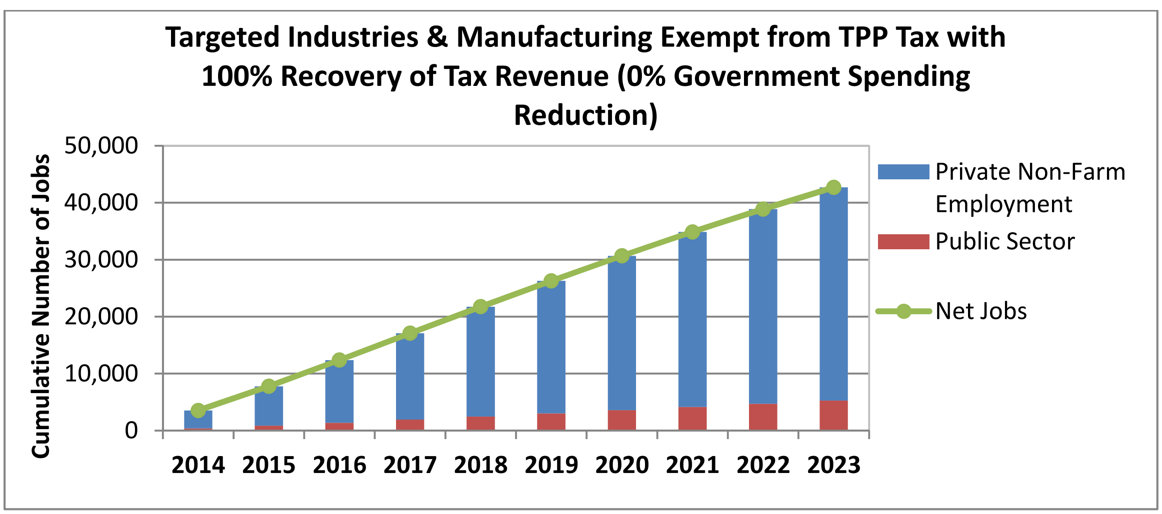




Manufacturing and Target Industries Exempt from TPP Tax







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About Florida TaxWatch

Florida TaxWatch is a statewide, non-profit, non-partisan taxpayer research institute and government watchdog that over its 32-year history has become widely recognized as the watchdog of citizens' hard-earned tax dollars. Its mission is to provide the citizens of Florida and public officials with high quality, independent research and education on government revenues, expenditures, taxation, public policies, and programs, and to increase the productivity and accountability of Florida Government.

Florida TaxWatch's research recommends productivity enhancements and explains the statewide impact of economic and tax and spend policies and practices on citizens and businesses. Florida TaxWatch has worked diligently and effectively to help state government shape responsible fiscal and public policy that adds value and benefit to taxpayers.

This diligence has yielded impressive results: in its first two decades alone, policymakers and government employees implemented three-fourths of Florida TaxWatch's cost-saving recommendations, saving the taxpayers of Florida more than $6.2 billion -- approximately $1,067 in added value for every Florida family, according to an independent assessment by Florida State University.

Florida TaxWatch has a historical understanding of state government, public policy issues, and the battles fought in the past necessary to structure effective solutions for today and the future. It is the only statewide organization devoted entirely to Florida taxing and spending issues. Its research and recommendations are reported on regularly by the statewide news media.

Supported by voluntary, tax-deductible memberships and grants, Florida TaxWatch is open to any organization or individual interested in helping to make Florida competitive, healthy and economically prosperous by supporting a credible research effort that promotes constructive taxpayer improvements. Members, through their loyal support, help Florida TaxWatch bring about a more effective, responsive government that is accountable to the citizens it serves.

Florida TaxWatch is supported by all types of taxpayers -- homeowners, small businesses, large corporations, philanthropic foundations, professionals, associations, labor organizations, retirees -- simply stated, the taxpayers of Florida. The officers, Board of Trustees and members of Florida TaxWatch are respected leaders and citizens from across Florida, committed to improving the health and prosperity of Florida.

With your help, Florida TaxWatch will continue its diligence to make certain your tax investments are fair and beneficial to you, the taxpaying customer, who supports Florida's government. Florida TaxWatch is ever present to ensure that taxes are equitable, not excessive, that their public benefits and costs are weighed, and government agencies are more responsive and productive in the use of your hard-earned tax dollars.

The Florida TaxWatch Board of Trustees is responsible for the general direction and oversight of the research institute and safeguarding the independence of the organization's work. In his capacity as chief executive officer, the president is responsible for formulating and coordinating policies, projects, publications, and selecting professional staff. As an independent research institute and taxpayer watchdog, Florida TaxWatch does not accept money from Florida state and local governments. The research findings and recommendations of Florida TaxWatch do not necessarily reflect the view of its members, staff, distinguished Board of Trustees, or Executive Committee, and are not influenced by the positions of the individuals or organizations who directly or indirectly support the research.

Florida TaxWatch Values:

♦ ***Integrity*** ♦ ***Productivity*** ♦ ***Accountability*** ♦ ***Independence*** ♦ ***Quality Research***

Improving Taxpayer Value,

Citizen Understanding, and Government Accountability

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