



First Draft of House Tax Package Emerges

On Tuesday, February 11, the House Ways & Means Committee released a draft of its proposed tax package. The draft includes two Florida TaxWatch top priorities-- reductions in the business rent tax and the communications services tax. The legislation would cut taxes by \$100.3 million in the first year (FY 2020-21)--\$83.7 million in state funds and \$16.6 million in local.

There are \$55.6 million in one-time cuts and \$98.2 million in recurring cuts. But by delaying the effective date of the recurring tax cuts until January 1, 2021, the House was able to minimize the impact in the upcoming budget year.

The tax package has a long road ahead. It could still change as it works its way through the House. Negotiations with the Senate will likely result in more changes. Florida TaxWatch will keep you update on those changes as they occur.

The proposal also includes many tax administration measures recommended by the Florida Department of Revenue which are not detailed below.

The draft proposal includes:

Recurring Tax Cuts

Business Rent Tax – Effective January 1, 2021, the state sales tax rate on commercial leases would be cut from 5.5 percent to 5.4 percent (local taxes also apply). The reduction/elimination of this tax—which is unique to Florida—is a long-time recommendation of Florida TaxWatch. We hope the Legislature can find a way to increase this relatively small rate cut.

Tax Savings (state and local): First year – \$15.8 million Recurring - \$33.1 million

Communications Sales Tax – The CST is levied on wireless, landline (partial exemption), cable, satellite television and streaming services. Effective January 1, 2021, the state CST rate would be reduced from 4.92 percent to 4.42 percent (a 2.52 gross receipts tax and local CST taxes also apply to communications services.) The state CST rate on direct-to-home satellite services would be reduced from 9.07 percent to 8.57 percent (gross receipts tax, but not local taxes, also apply.)

Tax Savings (state and local): First year – \$24.9 million Recurring - \$59.7 million

Aviation Fuel Tax – The tax rate paid by commercial carriers or all-cargo operations would be reduced from 2.85 to 1.89 cents per gallon. In 2018, the Legislature reduced the rate from 4.27 to 2.85 cents per gallon. Both reductions have to be claimed by paying the full 4.27 rate and then requesting refunds.

Tax Savings (state): First year – \$3.6 million Recurring - \$5.4 million

One-Time Tax Cuts

Back-to-School Sales Tax Holiday – In what has become a perennial tax relief measure, a three-day sales tax holiday would be held from August 7-9, 2020. During the holiday, clothing (including footwear, wallets and bags) that cost \$60 or less would be exempt from the state and local sales taxes. Also exempt would be school supplies costing \$15 or less and the first \$1,000 of the sales price of personal computers and related accessories purchased for noncommercial home or personal use. This would include tablets, laptops, monitors, input devices, and non-recreational software.

Tax Savings (state and local): One-Time – \$41.8 million

Disaster Preparedness Sales Tax Holiday – The proposal creates a seven-day sales tax holiday from May 29 - June 4, 2020 for specified items related to disaster preparedness. The exempt items (and price limits) would be: portable self-powered light sources (\$20); portable self-powered, two-way, or weather band radios (\$50); tarps or other flexible waterproof sheeting (\$50); ground anchor or tie-down kits (\$50); gas or diesel fuel tanks (\$25); packages batteries, excluding automobile and boat batteries (\$30); nonelectric food storage coolers (\$30); portable generators (\$750); and reusable ice (\$10).

Tax Savings (state and local): One-Time – \$5.6 million

Brownfields Tax Credit – There is currently a credit against corporate income taxes for voluntary brownfield cleanup of up to \$500,000 per site. The credits are limited to \$10 million per year. The proposal would provide a one-time additional tax credit authorization of \$8.2 million for FY 2020-21 to address the backlog of approved credits.

Tax Savings (state): One-Time – \$8.2 million

Corporate Income Taxes – This spring, the state will be refunding \$543 million in excess corporate income tax revenues that are due to Florida adopting provisions of the federal Tax Cuts and Jobs Act that expanded Florida's tax base. Current law would distribute those refunds by giving each corporation a refund equal to total refunds multiplied by that taxpayer's final tax liability as a percentage of the total liabilities of all eligible taxpayers. The proposal would add a company's contributions to the Florida Tax Credit Scholarship Program to its final tax liability.

Individual companies would receive larger refunds, but the other companies would receive smaller refunds. Net state revenue would not be impacted.

Other Tax Changes

Sports Development Program – The program, which distributes state sales and use tax revenue to fund professional sports franchise facilities, would be eliminated.

School Capital Outlay Surtax – Future resolutions to levy the tax must include a statement that the revenues collected shall be shared with charter schools based on their proportionate share of the total school district enrollment.

Tourist Development Taxes – The proposal expands the list of acceptable uses of TDT revenues to include water quality improvement projects such as flood mitigation; seagrass or seaweed removal; algae control, cleanup, or prevention measures; and septic to sewer conversion projects.

Property Tax Exemption for Deployed Servicemembers - The Florida Constitution grants an exemption for military servicemembers that have Florida homesteads and are deployed on active duty outside the United States. The military operations that qualify must be designated by the Legislature in statute. The proposal would add three operations to the list.

Property Tax Exemption for Non-Profit Hospitals – In what could be considered a tax increase (although the provision carries an “indeterminate” fiscal estimate), a hospital’s exemption would be limited to the value of the charity care it provides (as reported to the IRS).

Value Adjustment Boards – The proposal provides that an appraisal performed by a special magistrate may not be submitted as evidence to the value adjustment board in any year during which he or she has served on that board as a special magistrate.