

# What's in the House and Senate Tax Relief Packages?



This session's major piece of tax legislation (and one of the most significant in the state's history) is SB 50, which has already been signed into law by the Governor. That bill requires remote sellers to collect and remit sales taxes on Florida sales. The more than \$1 billion in annual state revenue will be used to replenish the Unemployment Compensation Trust Fund, avoiding a major tax increase on employers. After the fund is returned to pre-pandemic levels, the sales tax on commercial leases (Business Rent Tax) will be reduced from 5.5 percent to 2.0 percent, producing over \$1 billion in annual tax savings.

In addition to SB 50, both chambers have recently unveiled a tax relief package, both of which were approved by one committee and now go to the floor. The House bill (HB 7061) provides \$136.8 million in tax savings, \$93.9 million of which is non-recurring. The Senate bill (SB 7068) cuts taxes by \$112.7 million, \$73.6 million of which is non-recurring. The vast majority of the cuts are sales tax holidays (one-time) and property tax relief (local), so the recurring reduction in state taxes is only \$13.4 million in the Senate and \$9.0 million in the House. The two bills share many provisions, but there are differences that must still be worked out.

Here's is an explanation of all the provisions in both bills.

## Provisions that are in Both Bills

**Back to School Sales Tax Holiday** - The House proposes a seven-day "back-to-school" tax holiday from August 6-12 for certain clothing (up to \$60 per item), school supplies (up to \$15 per item), and personal computers and accessories for noncommercial use with a sales price of less than \$1,000. **Senate differences: eight-day period (July 31-August 7). The first \$1000 of the sales price of computers and accessories would be exempt.**

<b>House Tax Savings (one-time):</b>	<b>State - \$34.2 million</b>	<b>Local - \$10.3 million</b>	<b>Total - \$44.5 million</b>
<b>Senate Tax Savings (one-time):</b>	<b>State - \$44.9 million</b>	<b>Local - \$13.5 million</b>	<b>Total - \$58.4 million</b>

**Disaster Preparedness Sales Tax Holiday** - A seven-day "disaster preparedness" tax holiday from late May 28 – June 3 for specified disaster preparedness items. These items (and their maximum sales price) are: flashlights and portable light sources (\$20); portable radios, including two-way and weather radios (\$50), ground anchors or tie-down kits (\$50), fuel tanks (\$25), packages of batteries (\$30), nonelectric coolers (\$30), portable generators (\$750) and reusable ice (\$10). **Senate difference: ten-day period (May 28 – June 6).**

<b>House Tax Savings (one-time):</b>	<b>State - \$4.3 million</b>	<b>Local - \$1.3 million</b>	<b>Total - \$5.6 million</b>
<b>Senate Tax Savings (one-time):</b>	<b>State - \$6.0 million</b>	<b>Local - \$1.8 million</b>	<b>Total - \$7.8 million</b>

**Extend Data Center Sales Tax Exemption** – The 2017 Legislature enacted a sales tax exemption for property purchased, rented, or leased by a data center’s owners and tenants when used to construct, maintain, and operate computer server equipment at a data center. The data center must make a cumulative capital investment of \$150 million by June 30, 2022. No data center has applied for the exemption. This provision would provide a 5-year extension of the deadline.

**Tax Savings (recurring): State - \$1.1 million    Local - \$0.3 million    Total - \$1.4 million**

**Sales Tax Exemption for Independent Living** – The exemption would apply to items used by the elderly or disabled that help them live independently. The exempt items (and sales price limits) would be bed transfer handles (\$60), bed rails (\$110), grab bars (\$100), and shower seats (\$100).

**Tax Savings (recurring): State - \$2.9 million    Local - \$0.9 million    Total - \$3.8 million**

**Strong Families Tax Credit Program** - This would provide dollar-for-dollar tax credits for businesses that make monetary donations to eligible charitable organizations that provide services focused on child welfare and well-being. The tax credit could be taken against the corporate income tax, insurance premium tax; alcoholic beverage tax, severance taxes on oil and gas production; self-accrued sales tax liability of direct pay permit holders. Organizations must be Florida 501(c)(3) nonprofits and must apply to the Department of Children and Families for designation. Organizations must spend 100% of the funds on the direct provision of the specified children’s services and cannot receive more than 50% of their annual revenue from the DCF. The credits are capped at \$5 million annually.

**Tax Savings (recurring): State - \$5.0 million**

**Documentary Stamp Tax** - The bill provides that a modification of an original document which changes only the interest rate and is made as the result of the discontinuation of an index to which the original interest rate is referenced is not a renewal and is not subject to the documentary stamp tax. The Board of Governors of the Federal Reserve, the Comptroller of the Currency, and FDIC issued a statement encouraging banks to cease entering into new contracts that use the London Interbank Offered Rate (LIBOR) as a reference rate by December 31, 2021. Several trillion dollars of loans and mortgages in the U.S. reference LIBOR. This would assure that if a loan document is modified to change its referenced interest rate, the new document would not be taxable.

**Tax Savings (recurring): State – indeterminate**

**Affordable Housing Property Tax Exemption** – A 50 percent property tax discount currently exists for multifamily projects that provide housing to extremely-low-income, very-low-income, or low-income families. The discount begins on January 1 of the year following the 15th year of such an agreement.

Both tax packages would provide a full exemption for these properties. The exemption would begin the first day of the 16<sup>th</sup> year of the agreement.

**Tax Savings (recurring): Local - \$22.8 million**

**Non-Profit Property Tax Exemption Clarification** – This provision clarifies that the portions of property that are not predominantly used for charitable, religious, scientific, or literary purposes are not exempt from ad valorem taxation and that an ad valorem exemption is not affected so long as the predominant use of such property is for charitable, religious, scientific, or literary purposes.

**Tax Savings (recurring) – Local +/- insignificant**

#### **Department of Revenue Tax Administration Recommendations –**

- **Late Installment Payment of Property Taxes** – Taxpayers can choose to pay property taxes in quarterly installments in order to receive a discount. Tax collectors may accept late payments of the first installment (due June 30) through July 31. Some do, some don't. The six percent discount is lost, and a five percent penalty is applied. In order to create equal treatment across the state, the provision requires all tax collectors to accept late payments through July 31 without penalty. The six percent discount would still be lost.
- **The severance tax rate for titanium dioxide** is based on the annual produce price index for the mineral, which has been discontinued by the U.S. Bureau of Labor Statistics. This provision provides that the rate will be the same as the previous year when the statutory rate cannot be calculated.
- Creates a process to allow **freight forwarding** agents to receive a Certificate of Freight Forwarding Agent Address which can be used to avoid payment of sales tax on tangible personal property to be exported (which is currently exempt).
- Requires dealers to provide **records in an electronic format** when the dealer currently maintains those records in an electronic format.
- Allows the aggregation of collection reporting periods to determine the degree of criminal offense for the prosecution of **failure to remit taxes**.

**Tax Impact (recurring) - insignificant**

## **Provisions in House Bill Only**

**Freedom Week Sales Tax Holiday** - A seven-day "recreation" tax holiday from July 1 -7 for "specified admissions and supplies used to enjoy the entertainment options and natural beauty Florida has to offer." Exemptions will apply to admissions to live concerts and sporting events, movies in theaters, state parks, and gyms and physical fitness facilities. The admissions would have to be purchased during the holiday week but could be used through December 31, 2021. Also exempt would be purchases of camping, fishing, boating, water activity, and general outdoor supplies.

**Tax Savings (one-time): State - \$33.7 million Local - \$10.1million Total - \$43.8 million**

**Sales Tax Absorption** – Currently, Florida prohibits dealers from advertising that they will absorb, pay, or refund the purchaser all or any part of the sales tax due on their purchases. This House provision would allow dealers to pay or refund the sales tax if they provide the amount of the tax and a statement that they will pay the tax on the charge ticket, sales slip, invoice or other tangible evidence of the sale.

**Tax Savings – NA**

**Aquaculture Property Tax Exemption** – Currently, in using the income methodology to value agricultural property for ad valorem tax purposes, some structures that are attached to the land are considered a part of the average yields per acre and have no separately assessable taxable value. This new provision would provide that structures and equipment used in aquaculture are treated the same way.

**Tax Savings (recurring): Local - \$9.9 million**

**Tourist Development Taxes** – This House provision is another expansion of the available used of TDTs and convention development taxes (CDT), taking away from their original purpose—tourism marketing. The TDT and CDT revenue would now be authorized to be used for flood mitigation projects. It would also require new or increased TDTs and CDTs to be approved by referendum.

**Tax Impact – No impact**

**Sports Development Program Repeal** – The House would eliminate this program, which allows professional sports franchises to apply for sales tax distribution to fund sports facilities. Distributions of up to \$3 million annually are available but to date, no applicants have been certified and no funds have been distributed. The Professional Sports Franchise Program, through which eight franchises receive \$2 million per year for 30 years, would remain.

**Tax Impact – No impact**

## **Provisions in Senate Bill Only**

**Qualified Target Industry (QTI) Tax Refund Program** – The QTI Program was created to encourage the creation and retention of high-quality, high-wage jobs through state refunds of certain state and local taxes to businesses creating jobs in highly sought-after industries. It sunset on June 30, 2020 after legislation to make it permanent failed to pass during the 2020 session. Florida TaxWatch’s COVID-19 Taxpayer Task Force recommended that QTI be reestablished. The state’s last three reviews have shown QTI has a positive ROI between 4.3:1 and 6.4:1. This Senate provision was do that.

**Tax Savings – No impact. QTI is a grant program, subject to annual appropriation.**

**Florida Internship Tax Credit Program-** This creates a corporate income tax credit of \$2,000 for each student intern employed by a qualified business, up to a maximum of \$10,000 in any taxable year, beginning in tax years beginning on or after January 1, 2022. Any unused portion of the credit may be carried forward for up to two years. A qualifying intern is a student who has completed at least 60 credit hours at a state university or college; is enrolled in a school district career center or charter technical career center; or any graduate student enrolled at a state university. The intern must have a 2.0 GPA and work at least 30 hours per week. To qualify, a business must have been continuously operating for at least three years and at least 20 percent of its full-time employees were previously employed by that business as an intern. As an alternative, the business must employ ten or fewer employees, have previously hired at least one student intern, and employ at least one employee who previously employed by that business as an intern.

**Tax Savings (recurring): State - \$4.4 million**

**Homestead Property Change of Title** - This provision adds two instances when title to homestead property may change without the property being reassessed at just value: when the title change is only to remove an owner or owners who held title as joint tenants with rights of survivorship with the owner who remains on the title; and when the title change is only to remove a deceased person.

**Tax Savings (recurring): Local - insignificant**

**Property Destroyed by Calamity-** The bill also clarifies that ancillary improvements that are destroyed by storms or other calamities may be replaced and retain the taxable value assigned to those improvements prior to being destroyed. This change treats ancillary improvements the same as other property is treated under current law. These changes, while remedial and clarifying in nature, may not affect any assessment for tax rolls before 2021 unless the assessment is under review by a value adjustment board or a Florida court as of July 1, 2021.

**Tax Savings (recurring): Local – indeterminate**

**Educational Education Property Tax Exemption** - Leased real property used exclusively for educational purposes is deemed owned by an educational institution if, under a lease, the educational institution is responsible for any taxes owed and for ongoing maintenance and operational expenses. For such leasehold properties, the educational institution shall receive the full benefit of the exemption. The owner of the property shall disclose to the educational institution the full amount of the benefit derived from the exemption and the method for ensuring that the educational institution receives the benefit. The bill also provides that property owned by a house of public worship and used by an educational institution for educational purposes limited to students in preschool through grade 8 shall be exempt from ad valorem taxes. This provision has a significant first-year impact, due to pending cases.

**Leased Education Property - Tax Savings (recurring): Local - \$0.6 million**

**House of Worship Clarification Tax Savings: Local - \$7.4 million 1st year, \$0.5 recurring**

**Government Property Exemption** - Municipally-owned property used for a motorsports entertainment complex is exempt from ad valorem taxation, if the municipality is liable for payment of such ad valorem taxation pursuant to a lease agreement entered into before January 1, 2020. This exemption does not apply to property for which the motorsports entertainment complex or other tenant is liable for payment of such ad valorem taxation. This provision expires January 1, 2033. The Revenue Impact Conference states that this would only impact the Homestead-Miami Speedway.

**Tax Savings (recurring): Local - \$.6 million**