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Florida House Passes Historic \$1 Billion Tax Cut

Tallahassee, FL- The Florida House of Representatives today passed HB 7099 with large bipartisan support, providing \$1 billion in tax relief to Floridians. The House's tax cut package is highlighted by a permanent reduction in the business rent tax, the elimination of the manufacturing equipment tax, property tax reductions for disabled veterans and surviving spouses of veterans, as well as the renewal of the Back to School tax holiday and the college textbook sales tax exemption.

"The House has a proud history of cutting taxes for Florida's families, and this year, Chair Gaetz and the Finance & Tax subcommittee have produced a tax cut package that will continue that tradition," said House Speaker Steve Crisafulli (R-Merritt Island). "By returning \$1 billion to Floridians, we will keep Florida's economy growing and provide needed relief for families and job creators. Our tax cut package creates an environment where our business owners can create jobs and expand their businesses, gives parents and students the opportunity to save when they purchase the supplies and books they need, and makes Florida a more affordable state for our brave veterans and their families."

"Once again, the Florida House has shown we are down on taxes," said Rep. Matt Gaetz (R- Ft. Walton Beach). "This year, we are working to return nearly \$1 billion to Floridians because we firmly believe they deserve to keep more of their hard-earned money and can decide how to spend it better than the government. This package of broad-based tax cuts will help grow Florida's economy and make our state an even more affordable place to live."

Business Rent Tax

- Permanently cuts the business tax rate from 6% to 5% beginning in 2017, and in 2018 would be reduced to 4% for one year only.

Manufacturing Equipment Exemption

- According to Enterprise Florida, there are 18,600 manufacturers in Florida, employing more than 317,000 Floridians. Before 2014, Florida's manufacturers paid a sales tax on purchases of machinery and equipment used here in Florida. The Florida Legislature passed a three-year exemption for businesses from the tax beginning in 2014. The bill makes the exemption permanent and ensures metal recycling equipment and fruit and vegetable packinghouse equipment are also covered under the exemption.

School Supply Tax Exemptions
10-Day Back to School Sales Tax Holiday

- The 10-day sales tax holiday from August 5th-14th exempts the following items from sales tax:

- § Clothing items under \$100 per item, including clothing, shoes, and bags.

- § School supplies under \$15 per item.

- § The first \$750 of the sales price of personal computers and computer-related accessories.

School Book Fairs Exemption

- The bill exempts books and other reading materials sold at school book fairs from sales tax for one year.

Sales Taxes on College Textbooks

- Extends for another year the sales tax exemption on college textbooks and certain instructional materials required or recommended for a course to continue to make education in Florida more affordable for students.

Small Business Saturday

- Creates a 1-day sales tax holiday on November 26th for items \$1,000 or less at the nearly 500,000 qualifying small businesses across the state.

Technology Sales Tax Holiday

- Creates a 1-day sales tax holiday on April 22nd, 2017, on the first \$1,000 of the sales price per item on:

- § Electronic book readers, laptops, desktops, handhelds, tablets, cell phones, or tower computers.

- § Computer-related accessories, including: keyboards, mice, modems, routers, and nonrecreational software.

Hunting & Fishing Sales Tax Holiday

- Creates a 1-day sales tax holiday on August 20th to exempt certain outdoor sporting equipment from sales taxes, specifically:

- § Rifles, shotguns, spear guns, crossbows, and bows.

- § Ammunition for rifles, shotguns, spear guns, crossbows, and bows.

- § Camping tents.

- § Fishing supplies, including non-commercial rods, reels, bait, and fishing tackle.

Innovation Taxes

Datacenters Exemption

- For companies that make a capital investment of at least \$75 million and are certified with the Department of Economic Opportunity (DEO), the bill creates a sales tax exemption on the purchase of equipment, electricity, and building materials for the construction or expansion of a datacenter.

Research and Development Tax Credit

- The bill provides an additional \$9 million for one year for a total of \$18 million in credits to encourage research and development here in Florida.

Brownfield Credits

- The bill increases the amount of credits that may be awarded for brownfield cleanup from \$5 million to \$10 million in FY 2016-2017.

Renewable Energy Tax Credits

- The Renewable Energy Production Credit Program provides an annual corporate tax credit for electricity produced from renewable energy, including solar, biomass, and wind, among others.
- The Renewable Energy Technology Credit Program provides an annual corporate tax credit for 75% of all costs in connection with an investment in the production, storage, and distribution of biodiesel, ethanol, and other sources.
- The bill extends both programs by one year and sets the credit totals at \$10 million per program per year.

Tax Relief for Veterans

Veterans' Service Organizations

- Removes the tax on food and drink sales by Veteran's service organizations to their members.

Exemption for Surviving Spouses of Veterans

- Presently, surviving spouses of veterans who either had a service-connected total and permanent disability or died from service-related causes while on active duty qualify for a full property tax exemption on their homes.
- The bill expands the eligibility for the surviving spouse to receive this property tax exemption regardless of the veteran's state of residence on January 1 of the year the veteran died.

- The bill makes the credit portable by allowing the surviving spouse to receive property tax relief in Florida if the veteran, at the time of his or her death, owned property in another state that would have qualified in Florida as a homestead on January 1 of the year the veteran died.

Disabled Veteran Exemption Transfer

- Expands the property tax exemption eligibility for honorably discharged and service-connected total and permanently disabled veterans by allowing them to transfer their property tax exemption to a new property within the same year as long as the property is owned and used as a homestead and the paperwork is timely filed.

Taxes on Affordable Housing

Affordable Housing Recorded Agreements

- Allows a 50% property tax discount to for-profit entities that provide affordable housing for those with low incomes beginning in the 16th year of an agreement with the Florida Housing Finance Corporation to provide affordable housing if they are providing housing in multifamily projects in which at least 70 units are for those with low or very low incomes.

Affordable Housing Related Notes

- The bill gives consistent tax treatment to certain loans made by Housing Authorities.

Airplane Taxes

Aviation Fuel Taxes

- In Florida, airlines are charged an excise tax of 6.9% for every gallon of gasoline sold or brought into the state. However, based on current statutes, certain airlines receive credits on those taxes while others do not.
- This bill levels the playing field and provides tax fairness to all aviation companies by removing those exemptions in 2019 and lowering the rate to 4.27% per gallon for all airlines.

Foreign Aircrafts

- The bill provides clarification of when an aircraft being purchased in Florida for use outside the United States is exempt from sales taxes.

Rural Areas of Opportunity

- This bill provides an exemption from sales tax on the purchase of building materials, pest control services, or rental of tangible personal property used in new construction within a Rural Area of Opportunity (RAO) to encourage growth. The cap per parcel is \$10,000.

Cruise Line Tax Simplification

- Presently, cruise lines pay taxes on the volume of alcohol or tobacco they sell at port and within Florida waters, resulting in a cumbersome administrative system for both the cruise companies and the Department of Business and Professional Regulation.
- The bill would change the tax calculation based on ship capacity and the number of times they embark from Florida, which is a simpler and revenue-neutral manner of calculating the tax revenues collected.

Tax on Pear Cider

- Redefines cider to include cider made from pears, allowing pear cider to be taxed, like apple cider, at \$0.89 per gallon, instead of \$2.26 per gallon.

Admission Resales

- Provides that entities that resell admission tickets to nonprofit, exempt entities can receive a rebate on the sales tax of the transaction.

Enterprise Zones

- Clarifies that projects approved prior to sunset of the enterprise zone program on December 31st, 2015, may be completed and continue to receive exemptions dependent on location in an enterprise zone.

Aerial Photography

- Expands the number of eligible rural communities that qualify for the Department of Revenue to pay for image technology, allowing them to effectively map property in their area for property tax administration purposes.

Community Redevelopment Agencies (Non-Profit Youth Centers)

- Requires any Community Redevelopment Agency (CRA) that serves an area where at least 50% of children aged 18 and younger live below the poverty line to spend at least 5% of Redevelopment Trust Fund revenues annually to support youth centers if they submit a written request for such support.

Tourism Development Taxes

- Ensures that counties use their Tourist Development Tax funds to promote and advertise their counties to attract new tourists by requiring a minimum of 35% of leftover tourism development tax revenues after making bond payments be used to fund promotion or advertising of tourism in the state.

Federal Code Conformance Issues

- Adopts the Internal Revenue Code as in effect January 1st, 2016, and changes certain filing dates to conform with federal filing date changes, but decouples from certain federal bonus depreciation provisions.

For more information on HB 7099, please visit the Florida House of Representatives Website<<http://myfloridahouse.gov/Sections/Documents/loaddoc.aspx?FileName=pcb04b.FTC.DOCX&DocumentType=Analysis&CommitteeId=2856&Session=2016>>.

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