

2006 FLORIDA TAX LEGISLATION

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The Florida legislative session began on March 7th with lawmakers working off a November revenue estimate that added \$3.2 billion to the prior anticipated tax collections. In April, the Revenue Estimating Conference met again and added another \$960.2 million to their forecast. Increases in anticipated tax collections resulted largely from the strong real estate market. Documentary stamp taxes, non-recurring intangibles taxes and sales taxes on construction components produced much of the growth. However, corporate tax collections also remain strong. The following summarizes the 2006 legislative session from a tax perspective.

Sales Tax

A number of important sales tax exemptions designed to spur business investment were approved. **HB 415** provides an exemption for machinery and equipment used predominantly in research and development, and increases the exemption for items used in space and defense technology. **HB 69** provides a full exemption for machinery and equipment used in manufacturing. **SB 888** grants a new exemption for investment in hydrogen-powered vehicles and renewable energy technology.

HB 47 re-ups the annual Hurricane Preparedness sales tax holiday. Between May 21st and June 1st, sales of enumerated items, including generators, will be tax-free, including sales to business. **SB 888** provides for a sales tax holiday from October 5th to October 11th for the purchase of energy efficient appliances, but limits the exemption to purchases for home or personal use. **SB 692** renews the annual “back to school shopping” sales tax holiday from July 22nd to July 30th. **HB 421** continues the exemption for certain leases by convention centers and other similar facilities. **HB 1079** provides an exemption for certain qualified aircraft and for specified advertising materials.

Property Tax

Despite the volume of bills filed, action on property taxes was fairly limited. **HB 7109** funds a broad study of the issue to occur over the next year in time for the Tax and Budget Reform Commission. That bill also expands the ability of a homeowner to repair and replace property damaged in a casualty event without triggering a reassessment under Save Our Homes. Multiple “portability” proposals that would have allowed homeowners to sell and take with them to their new homes the Save Our Homes assessment differential between market and assessed values on the property were considered but did not pass.

HJR 353 proposes a constitutional amendment to double the \$25,000 homestead exemption for low-income seniors. **HB 264** addresses residency for homestead purposes. **SB 152** revises requirements regarding the property appraisers’ physical inspection of properties. **HJR 631** would allow an increase in the homestead exemption for disabled

veterans 65 years of age and older. **SB 1268** expands the tax deferral program for low income taxpayers.

Efforts by South Florida property appraisers to tighten up the criteria for qualifying for “greenbelt” assessment were traded early on for a study of the issue over the interim. **HB 7075** provides that obsolete farm equipment should be assessed for property tax purposes at salvage value. **HB 7183** provides an exemption for property owned by non-profit entities and used to display Biblical history.

Corporate Income Tax

SB 1198, the annual piggyback bill, was approved. **SB 2728** expands the capital investment tax credit program for businesses that deliver a minimum \$250 million capital investment and 1500 jobs paying at least 200% of the average wage. **SB 888** creates two new tax credits for renewable energy technology and production of electricity from renewable energy sources.

Intangibles Tax

HB 209 contained the largest tax reduction of the session with the repeal of the final half-mill of the annual intangibles tax. The non-recurring tax on transactions will remain unaffected.

Miscellaneous Tax and Fee Proposals

2006 is not the year that Florida completes the repeal of the “by the drink” tax on alcoholic beverages. However, the tax is slated for repeal in 2007 pursuant to **HB 7105**.

HB 821 increases the amount of available community contribution tax credits that can be applied against a number of taxes. **SB 2728** creates a new Innovation Incentive Program to fund economic development efforts. **HB 7055** continues the enterprise zone tax credit program.

HB 1269 amends the local occupational license tax by renaming it a “local business tax.” However, it does not authorize any increase in taxes, but is intended simply to avoid confusion regarding whether the law is a regulatory licensing law or a revenue-raising measure.

SB 1194 enacts a number of the recommendations of the Impact Fee Task Force governing adoption by local governments of impact fees.

SB 1350 allows counties, by ordinance approved by the voters, to levy an additional \$2 per day surcharge on motor vehicle rentals during the first 30 days of the lease.