



# The Florida Senate

*Interim Project Report 2001-040*

*October 2000*

Committee on Fiscal Resource

Senator Jim Horne, Chairman

## **SALES TAX EXEMPTIONS FOR CERTAIN CITIZENS SUPPORT ORGANIZATIONS AND THE FLORIDA FOLK FESTIVAL**

### **SUMMARY**

Section 212.08(7)(ii), F.S., provides a sales and use tax exemption for nonprofit organizations that have been designated as citizen support organizations in support of state-funded environmental programs or the management of state-owned lands, or to support one or more state parks. Also, s. 212.08(7)(jj), F.S., exempts from the sales tax, income of a revenue nature received from admissions to the Florida Folk Festival held pursuant to s. 267.16, F.S., at the Steven Foster State Folk Culture Center. Both exemptions are set for repeal in 2001. Prior to repeal, the economic benefits of each exemption must be reviewed and quantified by the Legislature. The objective of this project is to determine the economic benefits of these two exemptions and whether the exemptions should be continued.

of 5,000 members who support their park with either time and/or money. Each citizen support organization must file an annual audit of its financial accounts. CSO's which have expenditures of \$100,000 or less are required to prepare an annual special report to be signed by the President and the Treasurer. If expenses exceed \$100,000, the annual special report must be audited in full by a certified public accountant.

Citizen support organizations do not have to secure designation as a charitable organization under s. 501(c)(3) of the Internal Revenue Code to qualify as a CSO under Florida law. They only need to incorporate as a not for profit under chapter 617, Florida Statutes. Those CSO's which have annual gross receipts of not more than \$5,000 are automatically exempt from filing federal income tax, and thus from taxation. Many small CSO's do not file for nonprofit status with the Federal government under s. 501(c)(3).

### **BACKGROUND**

Pursuant to chapter 258, F.S., the Division of Recreation and Parks (Division) in the Department of Environmental Protection (DEP) regulates the state's park and preserve systems. In 1985, the Florida Legislature passed chapter 85-47, Laws of Florida, which authorized the establishment of citizen support organizations (CSO) for individual state parks. Specifically, s. 258.015, F.S., defines a CSO as an organization which is a Florida corporation not for profit incorporated under the provisions of chapter 617 and approved by the Department of State. The CSO is organized and operated to conduct program activities; raise funds; request and receive grants, gifts, and bequests of money; acquire, receive, hold, invest, and administer, in its own name, securities, funds, objects of value, or other property, real or personal; and make expenditures to or for the direct or indirect benefit of the state park system or individual units of the state park system. According to the Division, there are currently 67 CSO's in the State of Florida, representing in excess

Chapter 96-395, Laws of Florida, created s. 212.08(7)(kk), F.S., which provided a sales and use tax exemption for CSO's. Chapter 96-395, L.O.F., read: "Beginning July 1, 1996, nonprofit organizations that are incorporated under chapter 617 or hold a current exemption from federal corporate income tax under s. 501(c)(3) of the United States Internal Revenue Code, as amended, and that have been designated citizen support organizations to support one or more state parks in accordance with s. 258.015, F.S., are exempt from the tax imposed by this chapter" (Chapter 212). Chapter 2000-228, Laws of Florida, amended s. 212.08(7)(kk), changing paragraph (kk) to paragraph (ii) and rewording the paragraph to read: "Also exempt from the tax imposed by this chapter are sales or leases to nonprofit organizations that are incorporated under chapter 617, ..." According to the Department of Revenue, there are fifty CSO's holding current consumer certificates of exemption. At the time of passage, the estimated loss of sales tax revenue from exempting CSO's was a recurring General Revenue loss of \$52,000. The estimate was derived from expenses of CSO's taken

from audited fiscal year 1994-95 financial statements. This exemption is set to repeal July 1, 2001.

Also found in chapter 96-395, Laws of Florida, was a sales tax exemption on admissions to the Florida Folk Festival held pursuant to s. 267.16, F.S., at the Stephen Foster State Folk Culture Center, a unit of the state park system. The exemption was estimated to have an insignificant impact on state sales tax revenues. This exemption went into effect June 2, 1996 and is set to repeal on June 2, 2001.

The Florida Folk Festival has been held annually over Memorial Day Weekend since 1952 and attracts over 20,000 participants each year. Admission prices for the 2000 Festival were: Advance - One day: \$10; Weekend: \$20; Family/One-day: \$20; Family/Weekend: \$35; Gate - One-day: \$12; Weekend: \$24; Family/One-day: \$24; Family/Weekend: \$40. Friday is "Folkife Discovery Day" and is dedicated to school groups. Activities and performances are designed to enable students to explore and appreciate some of the traditional arts, crafts, customs, stories, music, and foods fostered by the state's multicultural residents. The Festival also offers teachers on Friday, a day-long in-service which features class and field activities geared toward enhancing social studies curriculum. Admission prices for student groups are \$3 per person.

The Florida Folklife Programs is the responsibility of the Division of Historical Resources of the Department of State, which must identify, research, interpret, and present Florida folk arts, artists, performers, folklore, traditions, customs, and cultural heritage and make folk cultural resources and folklife projects available throughout the state. The division must compile, edit, publish, and print directories, books, articles, pamphlets, and other folklife materials to disseminate information about folk cultural resources. The division may sponsor conferences, workshops, festivals, lectures, and exhibitions on Florida folklife and promote the folk cultural resources of the state.

According to staff of the Bureau of Historical Museums, repeal of the sales tax exemption on admissions to the Florida Folk Festival would impact students attending "Folklife Discovery Day" by increasing their admission costs by 7%. In addition, the Bureau would incur increased staffing costs to collect and remit the sales tax on admissions.

CS/SB 388, (Chapter 2000-228, Laws of Florida) created paragraph (p) of subsection (7) of section 212.08, F.S., which effective January 1, 2001, provides

a sales and use tax exemption for sales and leases to organizations holding current exemption from federal income tax pursuant to s. 501(c)(3) of the Internal Revenue Code, when such leases or purchases are used in carrying on such organization's customary nonprofit activities.

## METHODOLOGY

Information for this project was obtained from several sources. First legislative history of chapter 96-395, Laws of Florida, and related statutes, was done. Second, data was obtained from the Division of Recreation and Parks, Department of Environmental Protection on the number of active Citizen Support Organizations (CSO) in the state, and audit information on total operating expenses and park support expenses for thirty-five CSO's for fiscal year 1996-97, forty-five CSO's for fiscal year 1997-98, and fifty CSO's for fiscal year 1998-99. The Department of Revenue provided a list of all CSO's holding a current consumer certificate of exemption. In addition, history on the Florida Folk Festival and admissions data was obtained from the Division of Historical Resources of the Department of State.

## FINDINGS

Citizen support organizations that hold current exemption from federal income tax pursuant to s. 501(c)(3) of the Internal Revenue Code qualify for the sales and use tax exemption under s. 212.08(7)(p),

F.S. Smaller CSO's with annual gross receipts of not more than \$5,000 that have not filed for exempt status with the Federal government under s. 501(c)(3) would no longer qualify for the sales and use tax exemption, if s. 212.08(7)(ii), F.S., expires on July 1, 2001. Expenditure data obtained from annual audits of the majority of CSO's indicate that annual expenditures have grown from \$500,000 in fiscal year 1996-97 to \$1.2 million in fiscal year 1998-99, resulting in a savings to CSO's of state sales tax revenues of \$70,000 in fiscal year 1998-99. This \$70,000 is available to CSO's to be utilized for the benefit of our state parks. The estimated fiscal impact of continuing the sales and use tax exemption found under s. 212.08(7)(ii), F.S., would be insignificant, because the CSO's with the largest expenditures qualify for the sales and use tax exemption under s. 212.08(7)(p), F.S., as s. 501(c)(3) organizations.

Admissions to the Florida Folk Festival have been exempt from sales tax since the 1996 Festival. Actual

admissions receipts since 1996 and applicable sales tax (6% state sales tax rate plus 1% Hamilton County local option sales tax rate) are shown in Table 1. Based on actual admissions receipts, the continuation of the sales tax exemption on admissions to the Florida Folk Festival will result in a recurring loss of sales tax revenue of approximately \$5,000.

**Table 1**  
**Florida Folk Festival Admissions Receipts**  
**And Applicable Sales Tax**

Year	Receipts	7% Sales
1996	\$63,642	\$4,455
1997	63,773	4,464
1998	56,172	3,932
1999	78,361	5,485
2000	71,343	4,994

## RECOMMENDATIONS

The Florida Legislature authorized the creation of citizen support organizations (CSO) for individual state parks. Citizen support organizations are not for profit corporations which are organized and operated to raise funds, seek and receive gifts and bequests of money, as well as tangible property and real property, for their state park. Section 212.08(7)(ii), F.S., provides a sales and use tax exemption for CSO's that are incorporated under chapter 617. Paragraph (ii) is set to expire July 1, 2001. Under s. 212.08(7)(p), F.S., CSO's that hold nonprofit

status pursuant to s. 501(c)(3) of the Internal Revenue Code are exempt from tax on sales or leases to such organizations, when such leases or purchases are used in carrying on their customary nonprofit activities. Smaller CSO's which have annual gross receipts of not more than \$5,000 are exempt from paying federal income tax and generally do not file for nonprofit status under s. 501(c)(3). Repeal of s. 212.08(7)(ii), F.S., would adversely impact smaller CSO's that do not hold nonprofit status with the Federal government, resulting in unequal tax treatment of large and small CSO's. The sales tax remitted on taxable items by these smaller CSO's would be money taken away from our state parks. As a result, it is the recommendation of the Fiscal Resource Committee that the July 1, 2001, expiration of paragraph (ii) of s. 212.08(7), F.S., be eliminated and that the sales tax exemption for CSO's incorporated under chapter 617 be continued.

The Florida Legislature also provided a sales tax exemption on admissions to the Florida Folk Festival, which is set to expire on June 2, 2001. The primary impact of the repeal of the exemption would be felt by school children, in increased admission prices, and by the Division of Historical Resources of the Department of State, in increased workload to collect and remit the sales tax. The fiscal impact of continuation of the exemption is insignificant. The recommendation of the Fiscal Resource Committee is that the June 2, 2001, expiration of paragraph (jj) of s. 212.08(7), F.S., be eliminated and that the sales tax exemption on admissions to the Florida Folk Festival be continued.

### COMMITTEE(S) INVOLVED IN REPORT *(Contact first committee for more information.)*

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### MEMBER OVERSIGHT

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