

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based only on the provisions contained in the legislation as of the latest date listed below.)

Date: April 17, 1998 Revised: 04/21/98 _____

Subject: Sales Tax Exemption/Religious Audio Tapes

| | <u>Analyst</u> | <u>Staff Director</u> | <u>Reference</u> | <u>Action</u> |
|----|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| 1. | <u>Keating</u> | <u>Beggs</u> | <u>WME</u> | <u>Fav/1 amendment</u> |
| 2. | <u>Keating</u> | <u>Smith</u> | <u>WM</u> | <u>Fav/1 amendment</u> |
| 3. | <u> </u> | <u> </u> | <u>CM</u> | <u> </u> |
| 4. | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| 5. | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

I. Summary:

This bill expands the definition of “religious institutions” under the sales tax exemption provisions to include any nonprofit corporation qualified under s. 501(c)(3), United States Internal Revenue Code (I.R.C.), the primary activity of which is making and distributing audio recordings of religious scriptures and teachings to blind or visually impaired persons at no charge.

This bill substantially amends section 212.08(7)(o) of the Florida Statutes.

II. Present Situation:

Florida’s sales and use tax is a tax of general applicability which applies to receipts from the sales, storage and use of all tangible personal property unless specifically exempted. Section 212.08, F.S., enumerates specific exemptions to the sales tax. Section 212.08(7)(o), F.S., provides an exemption for nonprofit organizations including religious, charitable, scientific, educational, and veterans’ institutions and organizations. Sales or leases directly to nonprofit religious institutions when used in carrying on their customary nonprofit religious activities are not subject to sales tax.

The term “religious institutions” is currently defined to include:

1. Churches, synagogues and established places of worship at which nonprofit religious services and activities are regularly conducted and carried on. Sales or leases directly to or sales or leases of tangible personal property by churches are not subject to sales tax.
2. Nonprofit organizations whose sole purpose is to provide free transportation services to church members, families, and other church attendees.

3. State, district, or other governing or administrative offices whose function is to assist or regulate the customary activities or religious organizations or members within the state or district organizations.
4. Nonprofit corporations qualified under s. 501(c)(3), I.R.C., which own and operate a Florida television station of which 90 percent of the station's programming consists of programs of a religious nature, and the financial support for which, exclusive of receipts for broadcasting from other nonprofit organizations, is predominantly contributions from the general public.
5. Nonprofit corporations qualified under s. 501(c)(3), I.R.C. which provide regular services to Florida state prisoners, and which operate a ministry providing worship and services of a charitable nature to the community on a weekly basis.

III. Effect of Proposed Changes:

This bill revises the definition of "religious institutions" for the purpose of sales tax exemption under s. 212.08(7)(o), F.S., to include nonprofit corporations qualified under s. 501(c)(3), I.R.C., the primary activity of which is making and distributing audio recordings of religious scriptures and teachings to blind or visually impaired persons at no charge.

The bill shall take effect July 1 of the year in which enacted.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

This bill initially falls under subsection (b) of s. 18 of Art. VII, State Constitution. Subsection (b) requires a two-thirds vote of the membership of each house in order to enact a general law reducing the authority that municipalities and counties had on February 1, 1989 to raise revenues in the aggregate. By adding an exemption to the state sales tax, the bill has the effect of adding an exemption to the local option county sales surtax. Since the annual local revenue loss is estimated to be less than \$1.4 million, the bill will be exempt from the requirements of subsection (b) due to the insignificant negative fiscal impact as permitted under subsection (d) of s. 18 of Art. VII, State Constitution. (See s. 18(d), Art. VII, State Constitution, for various types of general laws, including those with insignificant fiscal impact.)

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

The sales tax exemptions extended to nonprofit corporations the primary activity of which is making and distributing religious audio tapes to blind or visually impaired persons at no charge, is estimated to have a negative, insignificant fiscal impact on both state and local revenues.

| Issue/Fund | General Revenue | | Trust | | Local | | Total | |
|-----------------------|-----------------|-----------|----------|-----------|----------|-----------|----------|-----------|
| | 1st Year | Recurring | 1st Year | Recurring | 1st Year | Recurring | 1st Year | Recurring |
| Religious Audio Tapes | \$ (*) | \$ (*) | \$ (*) | \$ (*) | \$ (*) | \$ (*) | \$ (*) | \$ (*) |

* Insignificant
 ** Indeterminate

B. Private Sector Impact:

The sales tax exemptions provided in this bill will benefit qualified Florida nonprofit corporations who make and distribute religious audio tapes to the blind and visually impaired. To the extent that the sales tax exemption encourages more nonprofits to produce such tapes, blind and visually handicapped persons could have access to a wider range of such religious tapes.

C. Government Sector Impact:

The Department of Revenue does not anticipate the need for additional resources to administer this bill.

VI. Technical Deficiencies:

None.

VII. Related Issues:

HB 3395 is identical to SB 936.

VIII. Amendments:

#1 by Ways and Means:

The amendment expands the definition of “religious institutions” to include any nonprofit corporation qualified under s. 501(c)(3), IRC, the sole or primary function of which is to provide,

upon invitation, nonprofit religious, evangelistic, religious education, administrative or missionary services for certain places of worship. (WITH TITLE AMENDMENT)

The amendment has an estimated recurring loss to the General Revenue Fund of \$.5 million.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.
