

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

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

Prepared By: The Professional Staff of the Finance and Tax Committee

BILL: SB 1766

INTRODUCER: Senator Altman

SUBJECT: Sales and Use Tax/Gas Turbine Engine Parts

DATE: March 30, 2010 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Hrdlicka	Cooper	CM	Favorable
2.	ODonnell	McKee	FT	Favorable
3.			WPSC	
4.				
5.				
6.				

I. Summary:

SB 1766 creates an exemption from the sales and use tax for certain items used to manufacture, produce, or modify gas turbine engine parts.

The Revenue Estimating Conference estimated that the bill has a negative impact of \$600,000 on the General Revenue Fund in FY 2010-11 through FY 2012-13 and a total annual \$200,000 negative fiscal impact on local governments of which \$100,000 is Local Option revenue.

This bill amends s. 212.08(7)(ggg), F.S.

II. Present Situation:

Sales and Use Taxes

Chapter 212, F.S., contains the state’s statutory provisions authorizing the levying and collection of Florida’s sales and use tax, as well as the exemptions and credits applicable to certain items or uses under specified circumstances. The statutes currently provide more than 200 different exemptions. Florida imposes a 6 percent tax on tangible personal property sold, used, consumed, distributed, stored for use or consumption, rented, or leased in Florida.¹

Turbines

¹ See ss. 212.05 and 212.06, F.S.

“A turbine is any kind of spinning device that uses the action of a fluid to produce work.”² Fluids typically used in turbines include air, wind, water, steam and helium. Windmills and hydroelectric dams are two examples of turbine action being used to turn the core of an electrical generator to produce power.

Gas turbines were first developed in the 1930s, and were used to generate electricity and power airplane flight. Gas turbines use a compressor to draw in and compress gas (usually air), then a combustor (or burner) adds fuel (such as propane, natural gas, kerosene or jet fuel) to heat the compressed gas, and a turbine extracts power from the hot air flow. The gas turbine is an internal combustion engine employing a continuous combustion process. Gas turbines are also known as combustion turbines, turboshaft engines, or gas turbine engines in power generation and marine applications and as jet engines, jet turbine engines, turbojets, turbofans, fanjets, turboprops or prop jets in aviation applications.

Gas turbines have many applications, and are used in power plants, tanks, jets, helicopters and trains.

III. Effect of Proposed Changes:

Section 1 creates a new exemption from the tax on sales, use, and other transactions under s. 212.08(7), F.S. The bill exempts cores, patterns, dies, and molds consumed in the production of castings used to manufacture, produce, or modify gas turbine engine parts.

Section 2 provides an effective date of July 1, 2010.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

Article VII, s. 18 of the Florida Constitution, excuses counties and municipalities from complying with laws requiring them to spend funds or to take an action unless certain conditions are met.

Subsection (b) of the provision prohibits the Legislature from “enacting, amending, or repealing any general law if the anticipated effect” is to reduce county or municipal aggregate revenue generating authority as it existed on February 1, 1989. The exception to this prohibition is if the Legislature passes such a law by 2/3 of the membership of each chamber.

Subsection (d) provides an exemption from this prohibition. Laws determined to have an “insignificant fiscal impact,” which means an amount not greater than the average statewide population for the applicable fiscal year times \$0.10 (which is \$1.88 million for FY 2010/11), are exempt.

² See Langston, Lee S., and George Opdyke, Jr., “Introduction to Gas Turbines for Non-Engineers,” Global Gas Turbine News, Volume 37: 1997, No.2, available at <http://files.asme.org/IGTI/101/13001.pdf> (last visited 3/19/2010) .

The Revenue Estimating Conference estimated that this bill will have a \$100,000 fiscal impact annually on local governments. Consequently, it is exempt from the mandates restriction due to its estimated fiscal impact.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. **Fiscal Impact Statement:**

A. Tax/Fee Issues:

The Revenue Estimating Conference met on March 12, 2010, and made the following assessment of the impact of this exemption:

	FY 2010-2011	FY 2011-2012	FY 2012-2013	FY 2013-2014
General Revenue	(0.6)	(0.6)	(0.6)	(0.7)
State Trust	(Insignificant)	(Insignificant)	(Insignificant)	(Insignificant)
Total State Impact	(0.6)	(0.6)	(0.6)	(0.7)

	FY 2010-2011	FY 2011-2012	FY 2012-2013	FY 2013-2014
Revenue Sharing	(Insignificant)	(Insignificant)	(Insignificant)	(Insignificant)
Local Gov't Half Cent	(0.1)	(0.1)	(0.1)	(0.1)
Local Option	(0.1)	(0.1)	(0.1)	(0.1)
Total Local Impact	(0.2)	(0.2)	(0.2)	(0.2)

	FY 2010-2011	FY 2011-2012	FY 2012-2013	FY 2013-2014
Total Impact	(0.8)	(0.8)	(0.8)	(0.9)

B. Private Sector Impact:

Purchasers of these items will benefit from the exemption of these items from taxes.

C. Government Sector Impact:

The Department of Revenue has indicated that this bill would have an insignificant impact on its operations.

VI. **Technical Deficiencies:**

None.

VII. Related Issues:

Turbine engines are classified by the type of fluid used to drive the engine. In general, the manufacturing process for all engines is the same and uses the same materials (cores, patterns, dies, and molds), although they may vary by type of metal. The exemption provided by this bill is limited to gas turbine engines; items used for the manufacture of other engines would not be eligible. The exemption would need to be prorated for companies that produce parts for more than one type of turbine.

VIII. Additional Information:**A. Committee Substitute – Statement of Substantial Changes:**
(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

B. Amendments:

None.