

# PUBLICATION

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## Spotlight on Florida: House of Representatives Approves Corporate Tax Exemption Increase, Tax Incentives and Sales Tax Holiday

February 24, 2012

On February 15, 2012, the Florida House of Representatives approved two significant bills that offer corporate tax relief, expand sales tax exemptions for farmers, manufacturers, and the aerospace industry, and create a sales tax holiday. The Florida Senate has not passed either bill at this point, however, so these legislative proposals face an uncertain future and changes should be expected before (and if) any legislation becomes final.

The first bill, HB 737, will be of particular interest to Florida retailers and consumers. It creates a "sales tax holiday" that will run between August 3 and August 5. During the "sales tax holiday," purchases of clothing, shoes and bags that cost \$75 or less per item and purchases of school supplies with a sales price of \$15 or less per item will be exempt from sales tax.

The second bill, HB 7087, is an economic development package that:

- Raises Florida's corporate income tax exemption from \$25,000 to \$50,000, but only for corporations that certify that they have no union employees;
- Benefits farmers by expanding the current sales tax exemption for electricity used for production or processing of agricultural products on a farm, that would include electricity used directly or indirectly:
  - For packing agricultural products on the farm; or
  - In a packinghouse where fruits and vegetables are packed or otherwise prepared for market or shipment in fresh form for wholesale distribution. The exemption does not apply to buildings where agricultural products are sold at retail.
- Increases the availability of the current sales tax exemption for industrial machinery and equipment acquired by expanding manufacturers and businesses engaged in spaceport activities by reducing the amount by which the productive output of the facility must increase to qualify for the exemption from 10% to 5%;
- Expands the current sales tax exemptions for repairs to and maintenance parts and labor for aircraft that have a maximum certified takeoff weight of more than 15,000 pounds by changing the weight requirement to a maximum certified takeoff weight of more than 2,000 pounds;
- Creates a new sales tax exemption for the purchase of certain chemicals, machinery, parts and equipment used and consumed in the manufacture or fabrication of aircraft engines and gas turbine engines;
- Doubles the total amount of tax credits available during the life of Florida's New Market Tax Credit program from \$97.5 million to \$195 million and the amount of tax credits available in a single year from \$20 million to \$40 million and makes some other changes to the tax credit program;
- Modifies the Urban High-Crime Area Job Tax Credit Program and the Entertainment Industry Financial Incentive Program; and
- Allows Charlotte County and Citrus County to apply for new enterprise zones.

Once again, these legislative proposals still must pass the Florida Senate before being presented to Governor Scott for signature enacting the bill as law. Even if ultimately enacted, changes to any one or more of these

proposals should be expected during the legislative process. However, should you wish to discuss any of these legislative proposals, please contact any attorney in the Firm's Tax Department.