



An Economic Analysis of the Repeal of Selected Sales and Use Tax Exclusions, Exemptions, Deductions and Credits

**Research Conducted Jointly by the Center for Economic
Forecasting and Analysis, Florida State University,
and the Florida Center for Fiscal and Economic Policy**

April 2009

Foreword

As Florida's Legislature responds to the state's fiscal crisis, the Florida Center for Economic and Fiscal Policy (FCEFP) urges them to employ a balanced approach when examining opportunities for cost savings in addition to working to modernize our tax policy and make it fairer while generating additional revenue. We published a report recommending a review of sales tax exemptions, exclusions and subsidies and suggested a number of items that should be repealed. Both the House and the Senate have held workshops to consider the 246 exemptions and subsidies in transactions currently removed from the sales and use tax base. Neither chamber has looked at the 121 services that are excluded.

Our recommendations called for an empirical analysis to be utilized in the process. We believe that an approach that uses scientific data based on clearly defined policy preferences and economic principles would prove valuable to the process. Our observations are that those representing the industry affected by the potential repeal of exemptions give testimony about the likelihood of job losses and economic damage that is usually anecdotal and speculative in nature. Although such perspectives are of value, they leave many legislators with nagging questions about their validity. Legislators have voiced a desire for information that is more concrete and explicative.

Through collaboration with the Center for Economic Forecasting and Analysis at Florida State University, the Center builds upon our earlier work and expands our capability to fill the gap in information regarding the economic impact of repealing various exemptions, exclusions and subsidies.¹ The following report applies a proven economic forecasting model based on sound economic principles to the questions surrounding the impact of repealing selected items. Questions that are addressed include:

1. How will the repeal impact on Florida's Gross State Product over time?
2. How will the repeal impact personal income of Floridians over time?

¹ The Center for Fiscal and Economic Analysis is solely responsible for the selection of items selected for analysis. The Center for Economic Forecasting and Analysis at Florida State University administers the REMI forecasting model and supplies the results generated by the model and does not necessarily endorse recommendations for repeal or retention. FCFEP bears responsibility for formulating conclusions and recommendations.

3. How will the repeal impact State Revenues over time?
4. How will the repeal impact employment over time?

Our approach to answering these questions is to allocate the projected sales tax revenue gained from the repeal of the exemption or exclusion to general revenue in the state budget and apply the REMI economic modeling and forecasting methodology.

Our hope is that the findings in this report will prove useful to the Legislature in its budget deliberations; promote additional review of sales and use tax exemptions and subsidies, and produce a desire to broaden the review to include all exemptions and exclusions to better support the development of effective public policy for our state on sales and use tax.

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1. Methodology

The REMI Model

The researchers used the Regional Economic Model, Inc. (REMI Policy Insight v9.5.26, 2007), a widely accepted and used dynamic integrated input-output and econometric model for this study. REMI is used extensively to measure proposed legislative and other program and policy economic impacts across the private and public sectors of the state by the Florida Joint Legislative Management Committee, Division of Economic & Demographic Research, The Florida Department of Labor and other state and local government agencies. In addition, it is the chosen tool to measure these impacts by a number of other leading universities and private research groups that evaluate economic impacts across the state and nation.

There are several advantages to using REMI:

- 1) It is calibrated to local conditions using a relatively large amount of local data.
- 2) It is based on a strong theoretical foundation.
- 3) It combines several different kinds of analytical tools (including economic base, input-output, and econometric models).
- 4) It allows the user to generate forecasts for any combination of future years, allowing the user special flexibility in analyzing the timing of economic impacts.

The REMI model used for this analysis was specifically developed for the state of Florida, and includes 169 sectors. REMI's principal advantage is that it may be used to forecast direct, indirect and induced economic effects over multiple-year time frames. Other input-output models primarily model for a single year time horizon.

The Model Design

To measure the economic impacts of the selected exemptions, exclusions and subsidies in Florida's sales and use tax, estimates for projected revenues are entered into the REMI model, which includes cross linkages between every sector of the Florida economy. Conceptually, the model consists of five basic blocks: (1) output, (2) labor and capital demands, (3) population and labor supply, (4) wages, prices, and profits, and (5) market shares. All of these blocks

have been calibrated to the Florida economy using state specific data. The policy variables were chosen within the five basic blocks as policy variables, for the years 2010 – 2025 (i.e., \$895.2 million for the 12 selected exemptions and exclusions).

The Assumptions

One scenario was examined for this analysis. It is assumed that all additional sales tax revenues linked from the repeal of the selected exemptions and exclusions for years 2010-2025 (i.e. \$895.2 million per year) were allocated for general revenue appropriation purposes. Since additional input sales tax exemption projected data for years 2010 – 2025 were not available, we utilized a straight-line forecast (i.e., the same \$895.2 million per year) to year(s) 2025. The scenario was modeled for a 16-year period (i.e., to year 2025), with specific detail provided for the 1, 3, 5, 10 and 16th years. The economic model was run in REMI and their associated impacts are outlined below. For consistency purposes, both the inputs and outputs are reported in 2009 dollars, without adjustment for potential inflationary effects (positive or negative), or other factors.

2. An Economic Impact Study: Repeal of Selected Sales Tax Exemptions

The sales and use tax exemptions and exclusions that are recommended for repeal and tested for the associated economic impact of such decisions are listed below along with the revenue that would be generated from repeal.

Sales and Use Tax – TRANSACTIONS (FY 2009-10)

Bottled (except carbonated) Water. s. 212.08(4) (a)1, F.S. \$43.2 million

“Water delivered to the purchaser through pipes or conduits or delivered for irrigation purposes. The sale of drinking water in bottles, cans, or other containers, including water that contains minerals or carbonation in its natural state or water to which minerals have been added at a water treatment facility regulated by the Department of Environmental Protection or the Department of Health, is exempt. This exemption does not apply to the sale of drinking water in bottles, cans, or other containers if carbonation or flavorings, except those added at a water treatment facility, have been added. Water that has been enhanced by the addition of minerals and that does not contain any added carbonation or flavorings is also exempt.”

Charter Fishing Boats s.212.08(7)(y), F.S.

\$11.9 million

"*Charter fishing vessels.*--The charge for chartering any boat or vessel, with the crew furnished, solely for the purpose of fishing is exempt from the tax imposed under s. 212.04 or s. 212.05. This exemption does not apply to any charge to enter or stay upon any "head-boat," party boat, or other boat or vessel. Nothing in this paragraph shall be construed to exempt any boat from sales or use tax upon the purchase thereof except as provided in paragraph (t) and s. 212.05."

Condominium Recreational Leases

s.212.031(1)(a)4, F.S.

\$6.9 million

"Recreational property or the common elements of a condominium when subject to a lease between the developer or owner thereof and the condominium association in its own right or as agent for the owners of individual condominium units or the owners of individual condominium units. However, only the lease payments on such property shall be exempt from the tax imposed by this chapter, and any other use made by the owner or the condominium association shall be fully taxable under this chapter."

Subsidies to Sports Facilities

s.212.20(6)(d)(7), F.S.

\$23.7 million

"b. The department shall distribute \$166,667 monthly pursuant to s. 288.1162 to each applicant that has been certified as a "facility for a new professional sports franchise" or a "facility for a retained professional sports franchise" pursuant to s. 288.1162. Up to \$41,667 shall be distributed monthly by the department to each applicant that has been certified as a "facility for a retained spring training franchise" pursuant to s. 288.1162; however, not more than \$416,670 may be distributed monthly in the aggregate to all certified facilities for a retained spring training franchise. Distributions shall begin 60 days following such certification and shall continue for not more than 30 years. Nothing contained in this paragraph shall be construed to allow an applicant certified pursuant to s. 288.1162 to receive more in distributions than actually expended by the applicant for the public purposes provided for in s. 288.1162(6).

c. Beginning 30 days after notice by the Office of Tourism, Trade, and Economic Development to the Department of Revenue that an applicant has been certified as the professional golf hall of fame pursuant to s. 288.1168 and is open to the public, \$166,667 shall be distributed monthly, for up to 300 months, to the applicant.

d. Beginning 30 days after notice by the Office of Tourism, Trade, and Economic Development to the Department of Revenue that the applicant has been certified as the International Game Fish Association World Center facility pursuant to s. 288.1169, and the facility is open to the public, \$83,333 shall be distributed monthly, for up to 168 months, to the applicant. This distribution is subject to reduction pursuant to s. 288.1169. A lump sum payment of \$999,996 shall be made, after certification and before July 1, 2000."

Sales and Use Tax - SERVICES FY (2009-10)

NAICS Code (1997)		\$ in millions
8121	Personal Care Services (including Beauty and Barber Shops)	\$90.8
8123	Drycleaning and Laundry Services	\$66.6
8129	Other Personal Services (Pet Care, Photo Finishing, Valet Parking, etc,)	\$13.0
5412	Accounting, Tax Preparation, Bookkeeping and Payroll Services	\$328.9
5617	Services to Buildings and Dwellings (includes Cleaning and Pest Control)	\$255.9
487	Scenic and Sightseeing Transportation	\$8.4
7112	Spectator Sports (sports Teams and Clubs, Racetracks, etc.)	\$15.8
7139	Other Amusement and Recreation Industries	\$31.0
2009-10 Annual Total ALL (in millions)		<hr/> \$895.2

Data

Data for the economic analysis was provided to Florida State University Center for Economic Forecasting and Analysis (FSU CEFA) by the Florida Center for Economic and Fiscal Policy (FCEFP). The data was based on projected revenues of \$895.2 million for Fiscal Year 2009-2010², as reported in the "2009 Florida Tax Handbook" for FY 2009-10, and extended annually to year 2025.

3. Results and Conclusions

Figures 1 -12 were constructed to report the economic impacts³ from the REMI methodology in 2009 dollars from years 2010 – 2025 on Gross State Product, employment, disposable income, and state revenues for each of the selected exemptions and exclusions. Gross State Product (GSP) is the dollar value of final goods and services produced across the Florida economy. Increases in personal disposable income (average annual personal income minus taxes) translate into

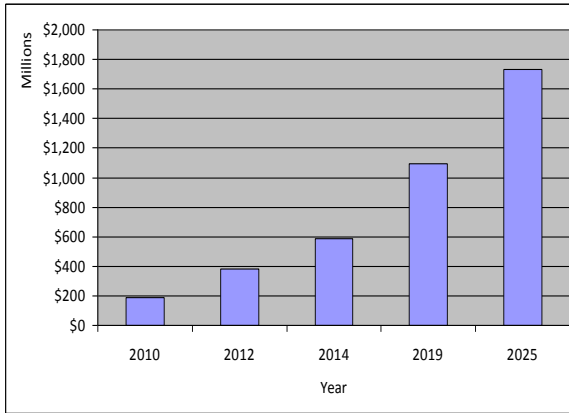
² Data source of cost of sales and use tax exclusions, exemptions, deductions and credits is the "2009 Florida Tax Handbook." <http://edr.state.fl.us/taxhandbooks/taxhandbook2009.pdf>

³ Economic impacts include: direct, indirect and induced impacts. Direct impacts measure the immediate effects caused by the repeal of the bottled water exemption; i.e., in employment and income. Indirect impacts are those that include changes to production, employment, income, etc., that occur as a result of the direct effects. Induced impacts are those further impacts of spending derived from direct and indirect activities – i.e., household purchases of consumer goods and services.

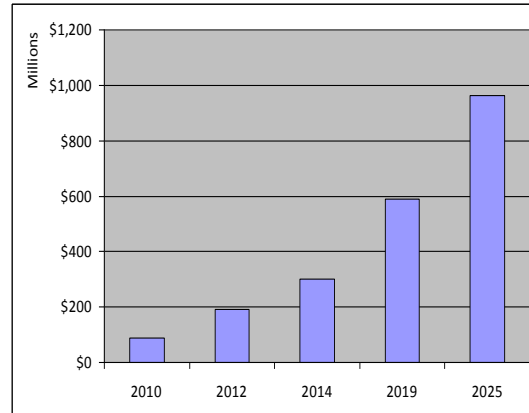
more economic activities and local and state tax revenues. The employment results are expressed in terms of jobs⁴.

Figure 1. Projected GSP, Income, State Revenue, and Employment Impacts of Repealing **Bottled Water** Exemption for Years 1, 3, 5, 10 and 15.

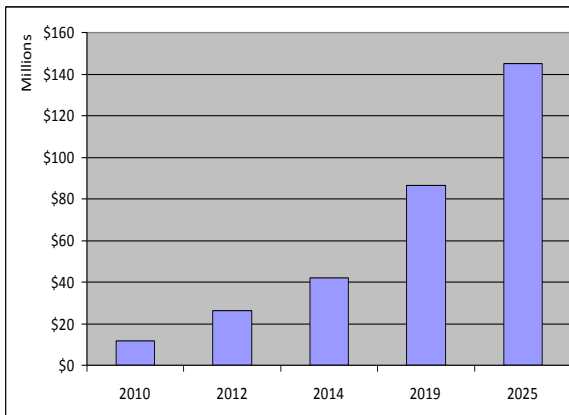
GSP



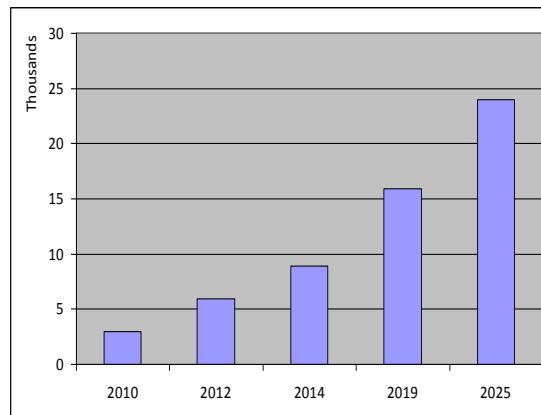
Income



State Revenues



Employment



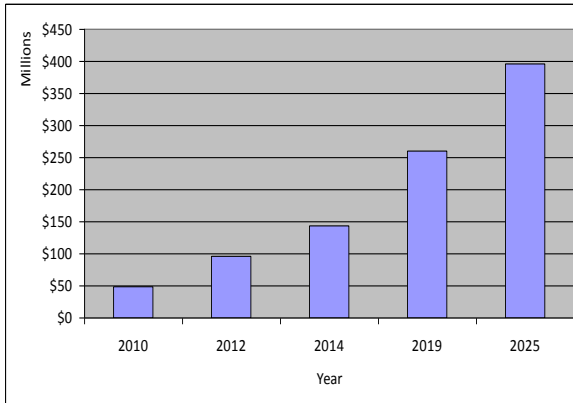
Economic Impact of Twelve Exemptions for Florida				
	GSP*	Employment	Income*	State Revenues*
Bottled Water to General Revenue	\$1,734,522,153	23,969	\$961,589,778	\$145,142,421

* in Feb. 2009 \$

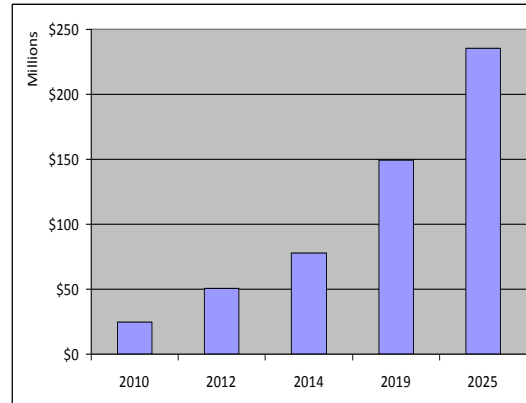
⁴ Note: Full time and part-time jobs are not distinguished in REMI, i.e., they are viewed as one job.

Figure 2. Projected GSP, Income, State Revenue, and Employment Impacts of Repealing **Chartered Fishing Boats** Exemption for Years 1, 3, 5, 10 and 15.

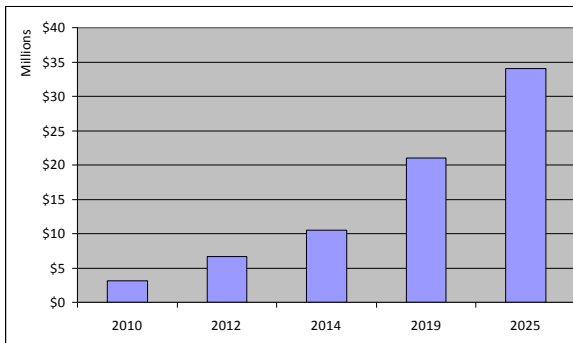
GSP



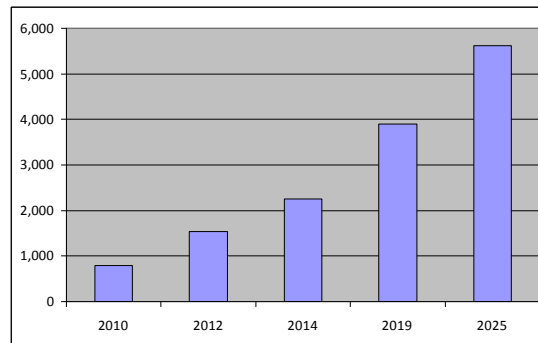
Income



State Revenues



Employment

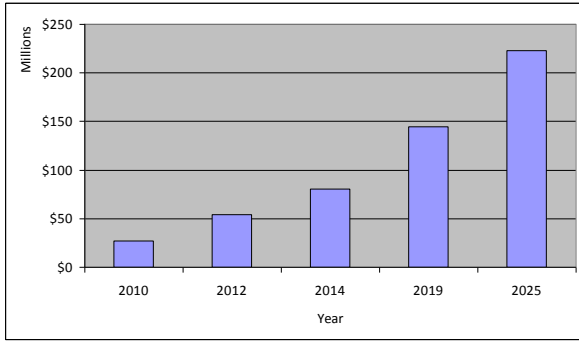


Economic Impact of Twelve Exemptions for Florida				
	GSP*	Employment	Income*	State Revenues*
Charter Fishing Boats	\$395,838,827	5,625	\$235,580,830	\$34,058,327

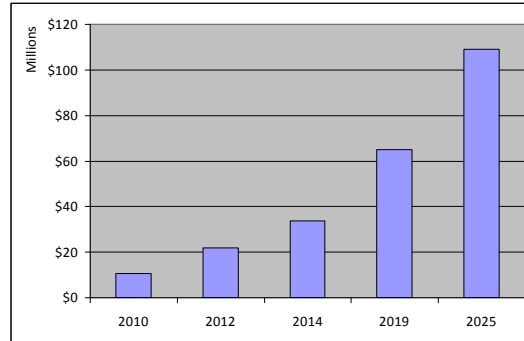
* in Feb. 2009 \$

Figure 3. Projected GSP, Income, State Revenue, and Employment Impacts of Repealing **Condo Recreational Leases** Exemption for Years 1, 3, 5, 10 and 15.

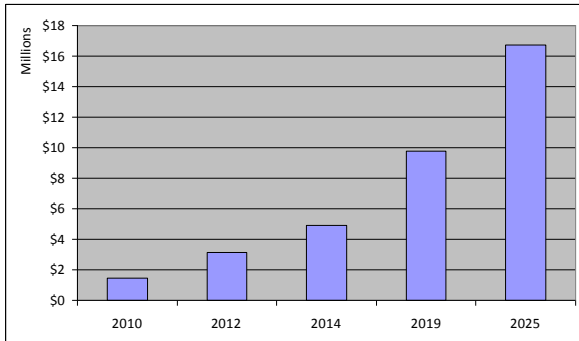
GSP



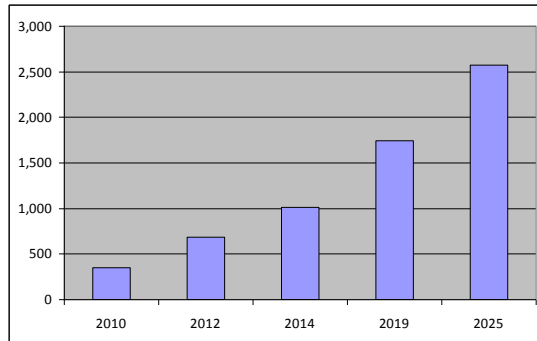
Income



State Revenues



Employment

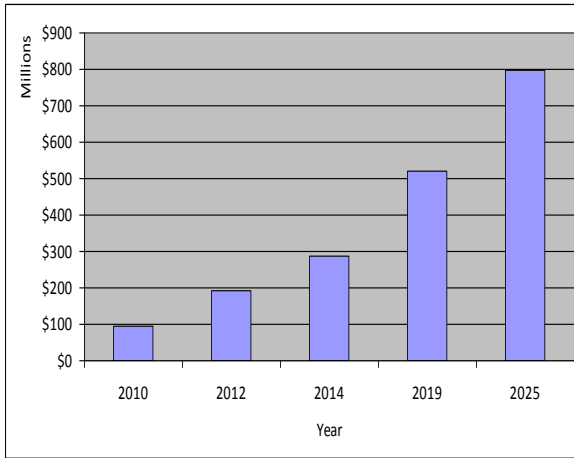


Economic Impact of Twelve Exemptions for Florida				
	GSP*	Employment	Income*	State Revenues*
Condo Rec Leases	\$222,792,247	2,576	\$109,012,708	\$16,711,858

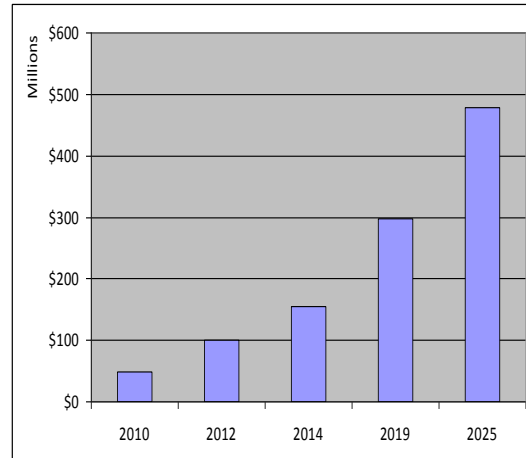
* in Feb. 2009 \$

Figure 4. Projected GSP, Income, State Revenue, and Employment Impacts of Repealing **Subsidies to Sports Facilities** for Years 1, 3, 5, 10 and 15.

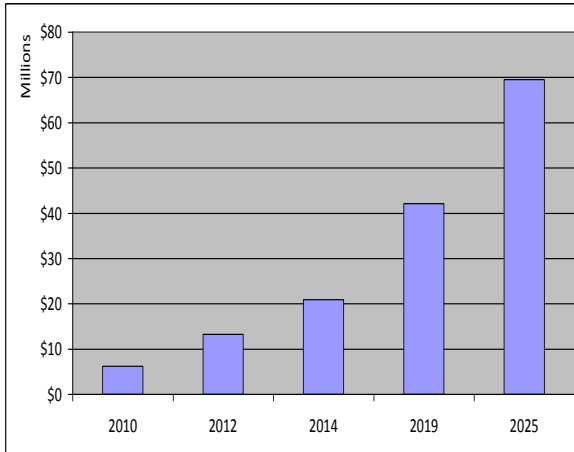
GSP



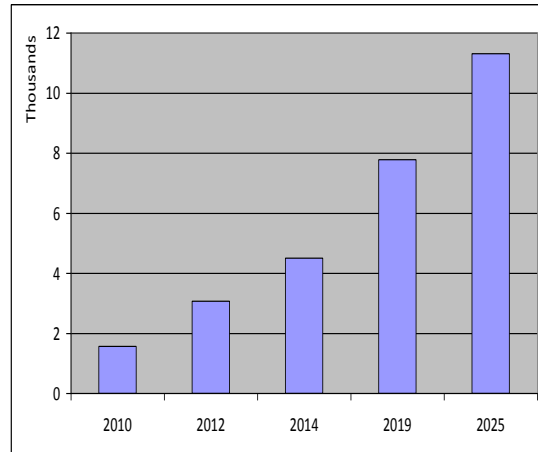
Income



State Revenues



Employment

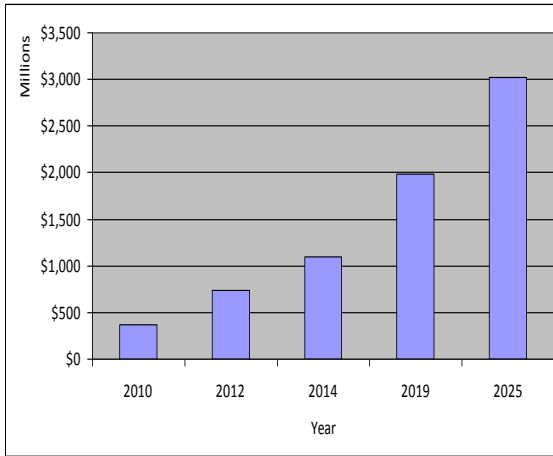


Economic Impact of Twelve Exemptions for Florida				
	GSP*	Employment	Income*	State Revenues*
Subsidies to Sports Facilities	\$798,130,947	11,304	\$478,858,901	\$69,493,183

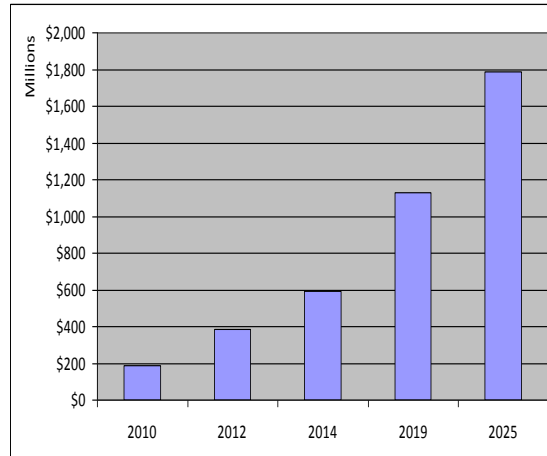
* in Feb. 2009 \$

Figure 5. Projected GSP, Income, State Revenue, and Employment Impacts of Repealing **Personal Care Services** Exclusion for Years 1, 3, 5, 10 and 15.

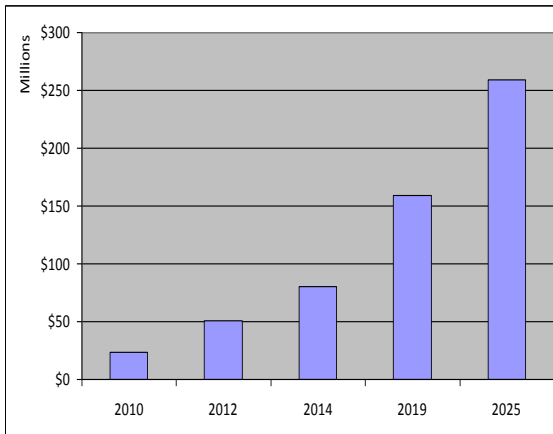
GSP



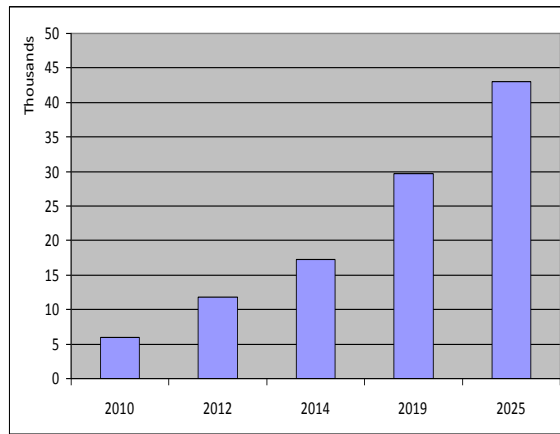
Income



State Revenue



Employment

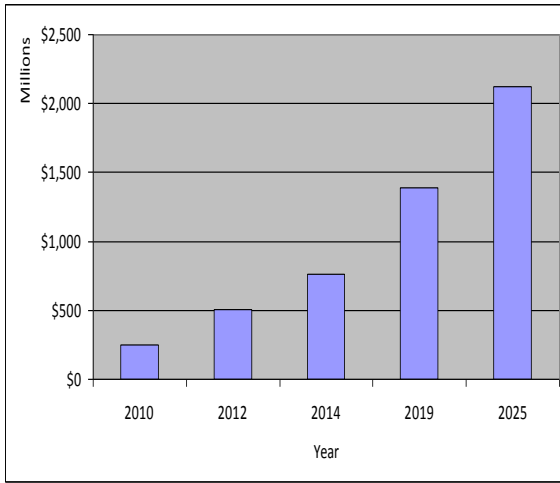


Economic Impact of Twelve Exemptions for Florida				
	GSP*	Employment	Income*	State Revenues*
Personal Care Services (Beauty,etc)	\$3,021,247,254	42,977	\$1,786,566,422	\$258,842,026

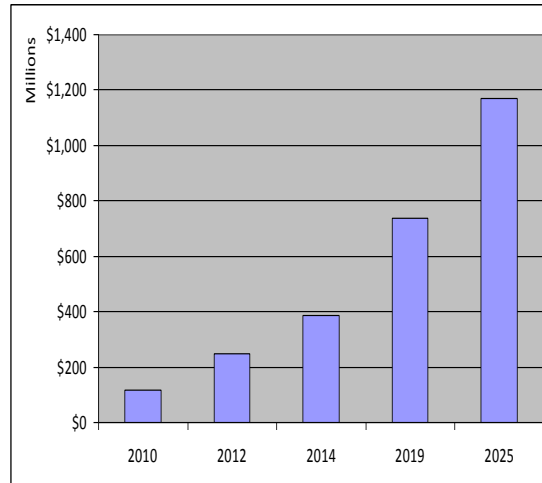
* in Feb. 2009 \$

Figure 6. Projected GSP, Income, State Revenue, and Employment Impacts of Repealing **Dry Cleaning and Laundry** Services Exclusion for Years 1, 3, 5, 10 and 15.

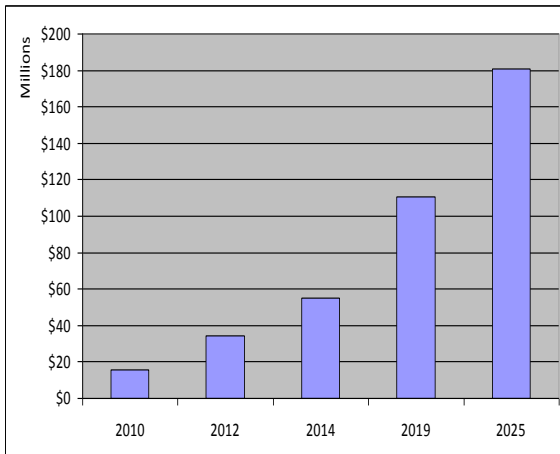
GSP



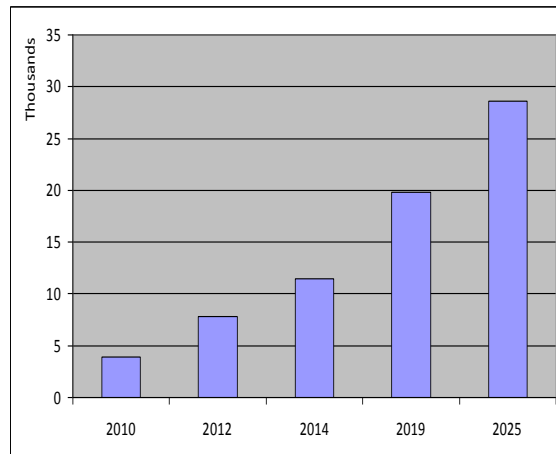
Income



State Revenues



Employment

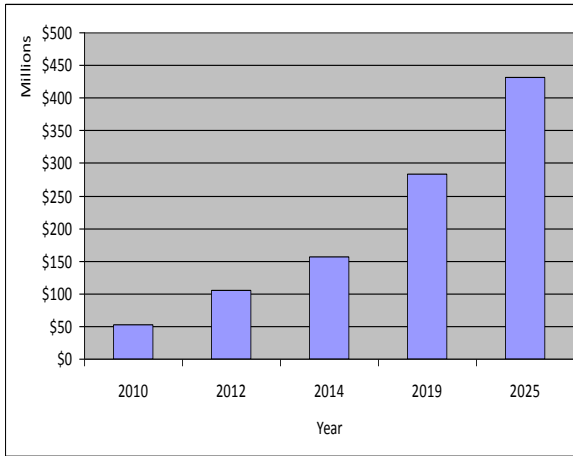


Economic Impact of Twelve Exemptions for Florida				
	GSP*	Employment	Income*	State Revenues*
Drycleaning and Laundry	\$2,122,113,058	28,595	\$1,168,599,115	\$181,018,271

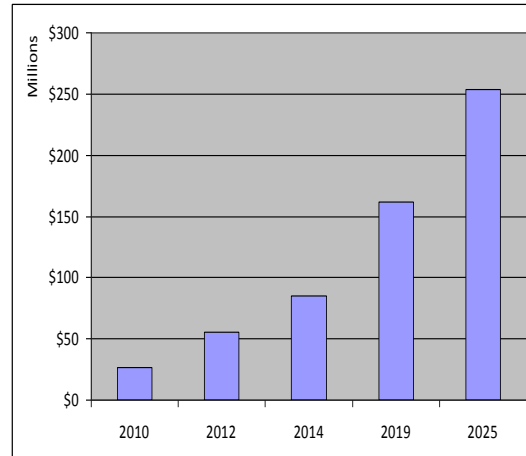
* in Feb. 2009 \$

Figure 7. Projected GSP, Income, State Revenue, and Employment Impacts of Repealing **Other Personal Services** Exclusion for Years 1, 3, 5, 10 and 15.

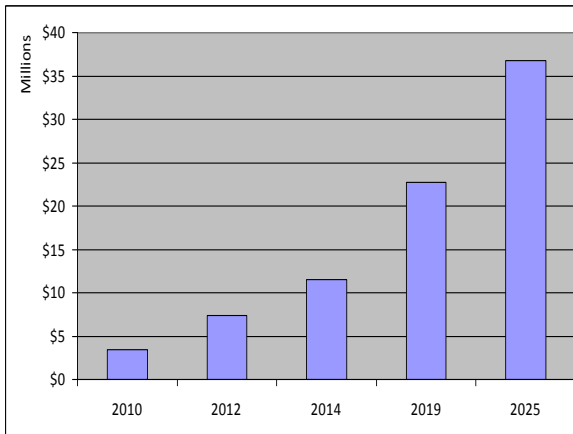
GSP



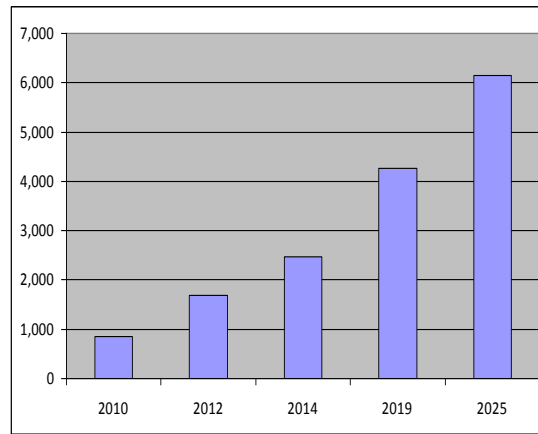
Income



State Revenues



Employment

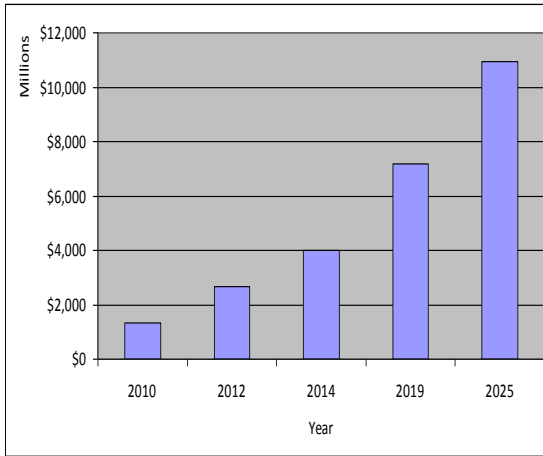


Economic Impact of Twelve Exemptions for Florida				
	GSP*	Employment	Income*	State Revenues*
Other Personal Services (Pet Care, Valet, etc)	\$431,534,755	6,150	\$253,423,877	\$36,737,886

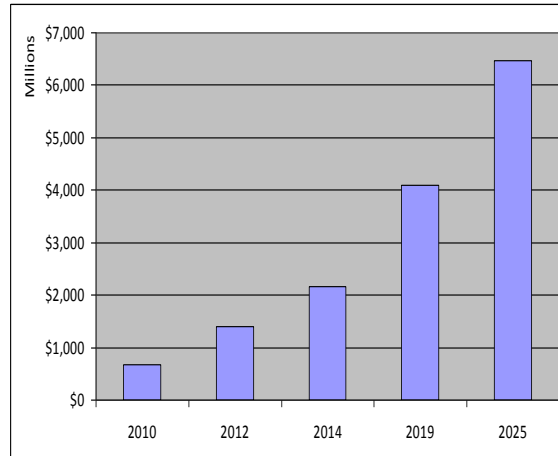
* in Feb. 2009 \$

Figure 8. Projected GSP, Income, State Revenue, and Employment Impacts of Repealing **Accounting, Tax, Bookkeeping, etc.,** Services Exclusion for Years 1, 3, 5, 10 and 15.

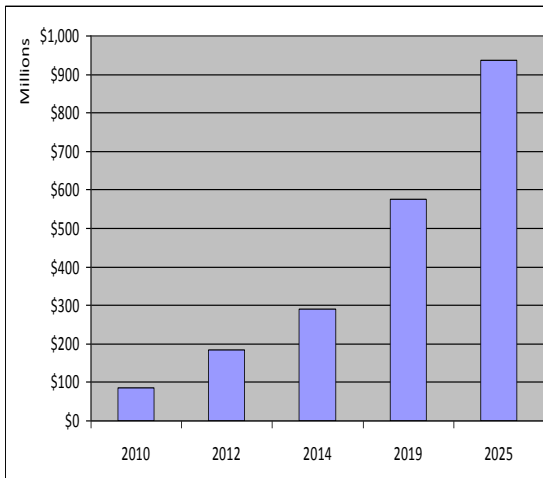
GSP



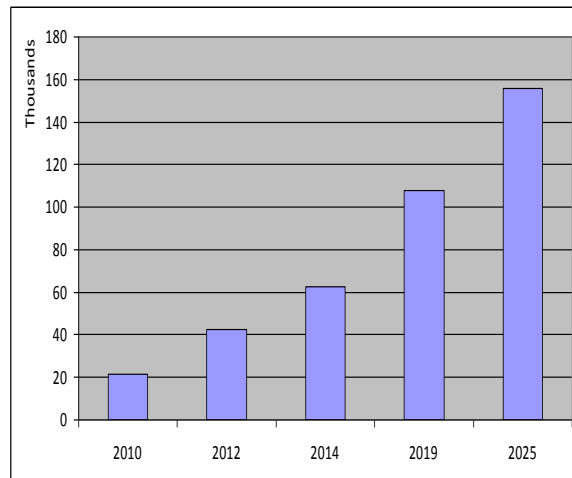
Income



State Revenues



Employment

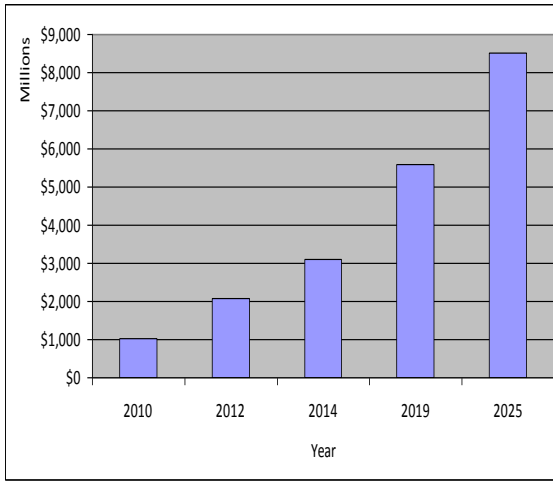


Economic Impact of Twelve Exemptions for Florida				
	GSP*	Employment	Income*	State Revenues*
Accounting, Tax, Bookkeeping, etc.	\$10,946,874,028	155,704	\$6,462,634,592	\$936,606,619

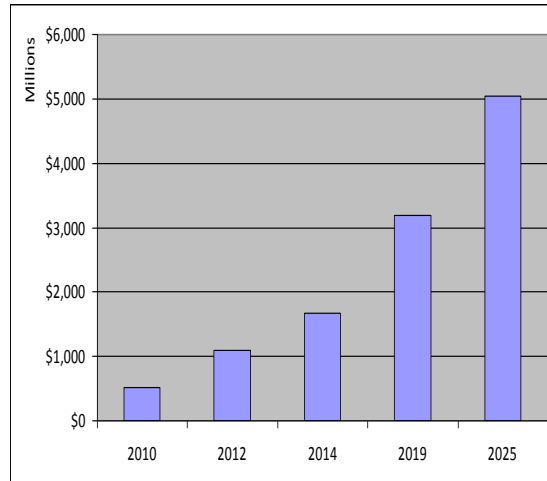
* in Feb. 2009 \$

Figure 9. Projected GSP, Income, State Revenue, and Employment Impacts of Repealing **Services to Building and Dwellings** Exclusion for Years 1, 3, 5, 10 and 15.

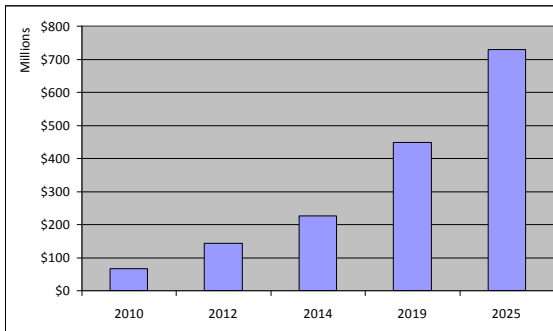
GSP



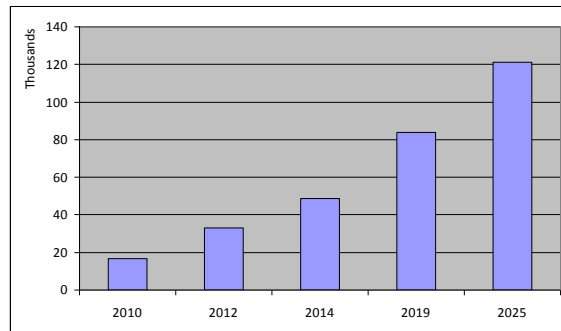
Income



State Revenues



Employment

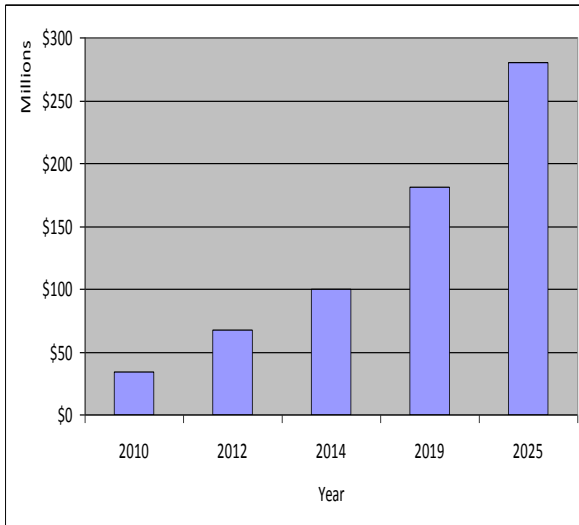


Economic Impact of Twelve Exemptions for Florida				
	GSP*	Employment	Income*	State Revenues*
Buildings and Dwellings	\$8,521,173,498	121,179	\$5,037,255,889	\$729,906,793

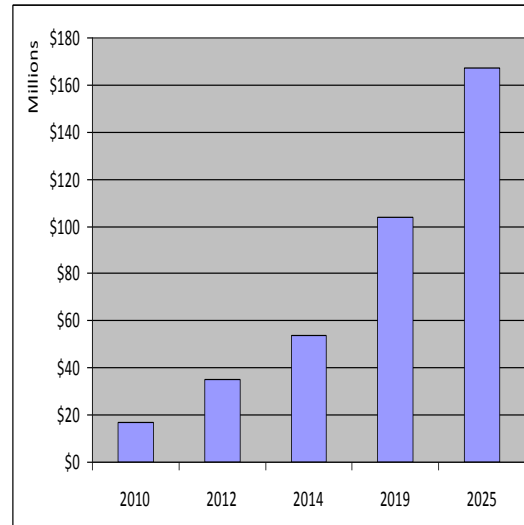
* in Feb. 2009 \$

Figure 10. Projected GSP, Income, State Revenue, and Employment Impacts of Repealing **Scenic and Sightseeing Transportation Services Exclusion** for Years 1, 3, 5, 10 and 15.

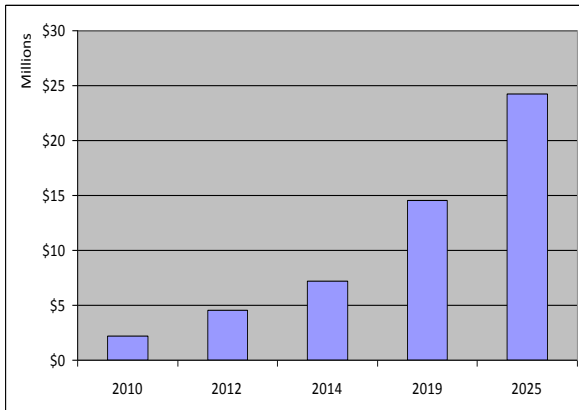
GSP



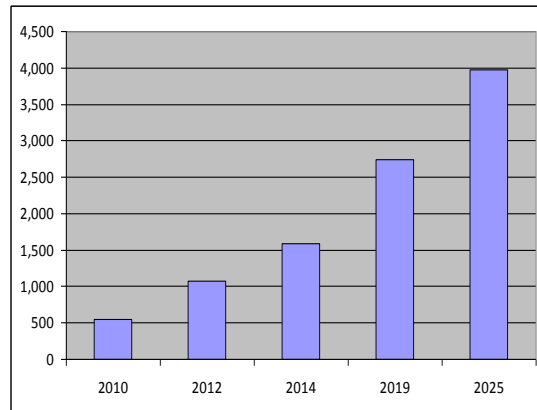
Income



State Revenues



Employment

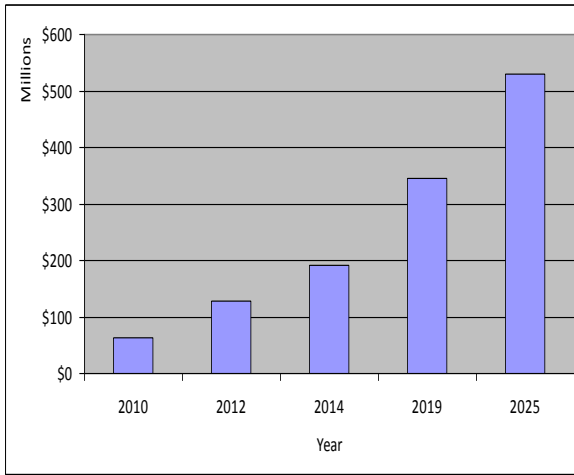


Economic Impact of Twelve Exemptions for Florida				
	GSP*	Employment	Income*	State Revenues*
Scenic and Sightseeing Transportation	\$280,134,362	3,978	\$167,453,726	\$24,231,528

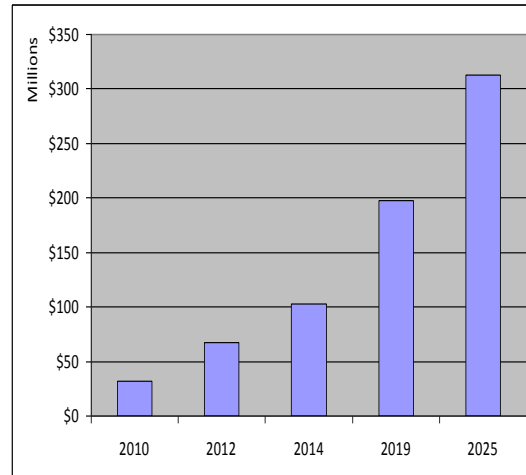
* in Feb. 2009 \$

Figure 11. Projected GSP, Income, State Revenue, and Employment Impacts of repealing **Spectator Sports** Services Exclusion for Years 1, 3, 5, 10 and 15.

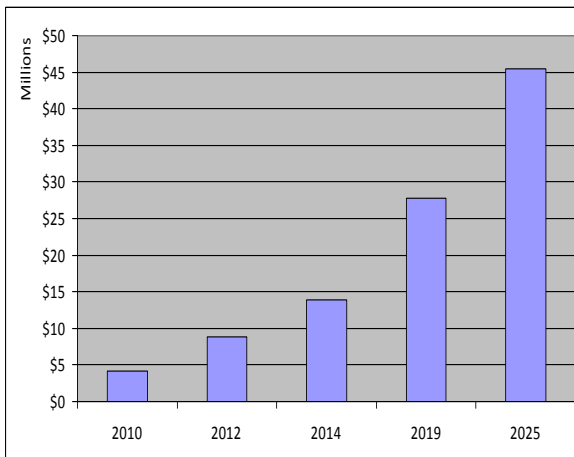
GSP



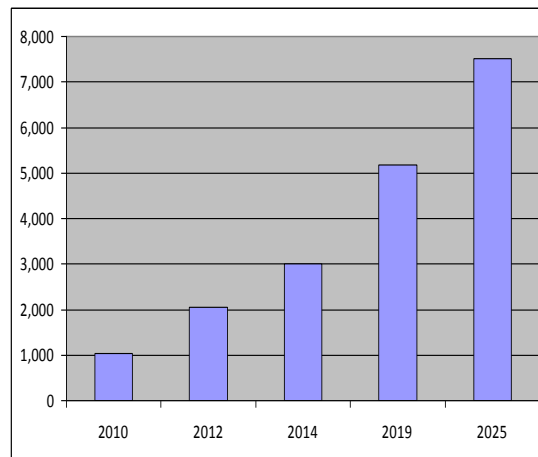
Income



State Revenues



Employment

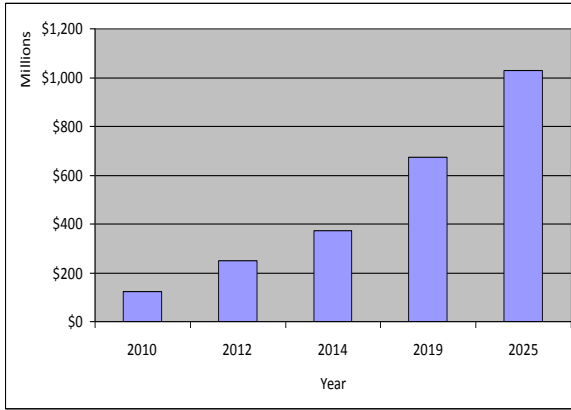


Economic Impact of Twelve Exemptions for Florida				
	GSP*	Employment	Income*	State Revenues*
Spectator Sports (Teams, Racetracks, etc)	\$529,292,920	7,513	\$312,843,337	\$45,392,903

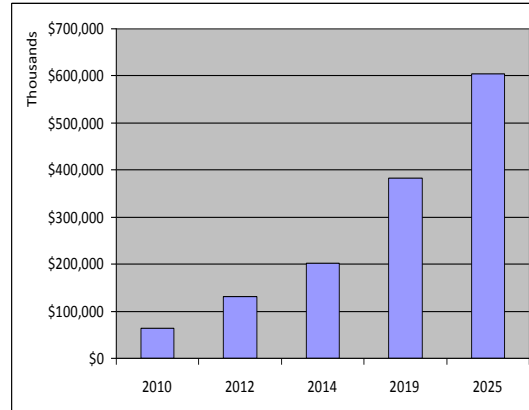
* in Feb. 2009 \$

Figure 12. Projected GSP, Income, State Revenue, and Employment Impacts of Repealing **Other Amusement and Recreation Industries** Services Exclusion for Years 1, 3, 5, 10 and 15.

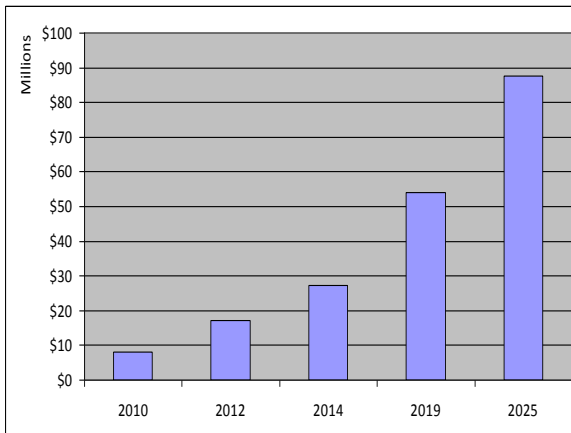
GSP



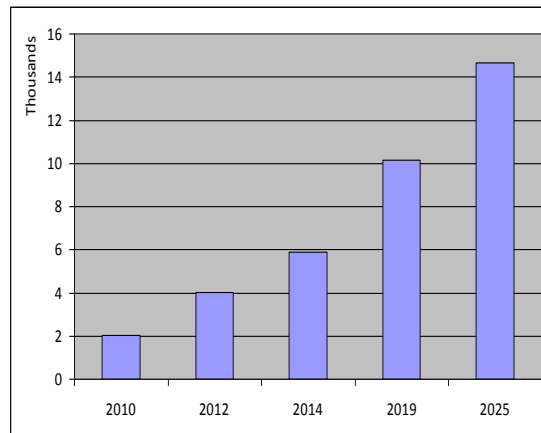
Income



State Revenues



Employment



Economic Impact of Twelve Exemptions for Florida				
	GSP*	Employment	Income*	State Revenues*
Other Amusement and Recreation Industries	\$1,029,257,161	14,656	\$604,790,298	\$87,671,554

* in Feb. 2009 \$

The overall results of the economic impact analysis of the selected exemptions and exclusions selected for examination utilizing the REMI econometric methodology are summarized in Table 1. It can be clearly seen that repealing the sales tax exemption(s) and exclusions on the twelve selected transactions and services would have a substantial and positive economic impact for the State of Florida for years 2010-2025. The economic benefits extend to job creation, GSP and personal income for Floridians. In terms of GSP, \$30 billion is projected to be generated based on the revenues from the exemption and exclusion repeals being allocated to general revenue. Personal income is projected to be \$17.6 billion. Overall, the repeal of the sales tax exemption(s) is projected to support the creation of a total of 424,226 jobs (from years 2010 – 2025), or an average of 26,514 jobs per year. In addition, state revenues are increased almost \$2.6 billion over the same period.

Table 1. Economic Impact(s) of Twelve Transactions and Services Sales Tax Exemptions for Years (2010-2025).

Economic Impact of Twelve Exemptions for Florida				
	GSP*	Employment	Income*	State Revenues*
Transactions Sales and Use Tax Exemptions				
Bottled Water to General Revenue	\$1,734,522,153	23,969	\$961,589,778	\$145,142,421
Charter Fishing Boats	\$395,838,827	5,625	\$235,580,830	\$34,058,327
Condo Rec Leases	\$222,792,247	2,576	\$109,012,708	\$16,711,858
Subsidies to Sports Facilities	\$798,130,947	11,304	\$478,858,901	\$69,493,183
Services Sales and Use Tax Exclusions				
Personal Care Services (Beauty,etc)	\$3,021,247,254	42,977	\$1,786,566,422	\$258,842,026
Drycleaning and Laundry	\$2,122,113,058	28,595	\$1,168,599,115	\$181,018,271
Other Personal Services (Pet Care, Valet,etc)	\$431,534,755	6,150	\$253,423,877	\$36,737,886
Accounting, Tax, Bookkeeping, etc.	\$10,946,874,028	155,704	\$6,462,634,592	\$936,606,619
Buildings and Dwellings	\$8,521,173,498	121,179	\$5,037,255,889	\$729,906,793
Scenic and Sightseeing Transportation	\$280,134,362	3,978	\$167,453,726	\$24,231,528
Spectator Sports (Teams, Racetracks, etc)	\$529,292,920	7,513	\$312,843,337	\$45,392,903
Other Amusement and Recreation Industrie	\$1,029,257,161	14,656	\$604,790,298	\$87,671,554
Grand Total	\$30,032,911,211	424,226	\$17,578,609,472	\$2,565,813,369

* in Feb. 2009 \$

4. Retention/Deletion Policy Matrix

In the Center’s earlier report on Sales and Use Tax, we devised a basic typology or matrix for considering the repeal or retention of exemptions based on selected policy questions. We applied this matrix as an initial filter to generate items that should be considered for repeal. Table 2 summarizes the results from this analysis.

Table 2. Retention/Deletion Policy Matrix⁵

Bottled Water		s.212.031(1)(a)4, F.S.	
Policy Question	Eliminate Exemption (weight)	Retain Exemption (weight)	Net Score
Is it a necessity-to-life item?	No + 20	Yes - 20	+20
Does it create a Florida advantage vs. non-Florida entities?	No + 5	Yes - 5	+5
Does it create jobs?	No + 20	Yes - 20	+20
Does it create above state average salary jobs?	No + 5	Yes - 5	+5
Does it prevent tax pyramiding?	No + 5	Yes - 5	-5
Are taxpayers with similar characteristics treated the same?	No + 10	Yes - 10	+10
Do most other states tax it?	No + 5	Yes - 5	n/a
Is it used to produce a final consumption item?	No + 5	Yes - 5	+5
Does the exemption target more than 10 taxpayers?	No + 5	Yes - 5	-5
Is it fair to all taxpayers?	No + 10	Yes - 10	n/a
Total	+65	-10	+55

Charter Fishing Boats		s.212.08(7)(y), F.S.	
Policy Question	Eliminate Exemption (weight)	Retain Exemption (weight)	Net Score
Is it a necessity-to-life item?	No + 20	Yes - 20	+20
Does it create a Florida advantage vs. non-Florida entities?	No + 5	Yes - 5	-5
Does it create jobs?	No + 20	Yes - 20	-20
Does it create above state average salary jobs?	No + 5	Yes - 5	+5
Does it prevent tax pyramiding?	No + 5	Yes - 5	-5
Are taxpayers with similar characteristics treated the same?	No + 10	Yes - 10	+10
Do most other states tax it?	No + 5	Yes - 5	Unk
Is it used to produce a final consumption item?	No + 5	Yes - 5	+5
Does the exemption target more than 10 taxpayers?	No + 5	Yes - 5	-5
Is it fair to all taxpayers?	No + 10	Yes - 10	n/a
Total	+40	-35	+5

Condominium Recreational Leases		s.212.031(1)(a)4, F.S.	
Policy Question	Eliminate Exemption (weight)	Retain Exemption (weight)	Net Score
Is it a necessity-to-life item?	No + 20	Yes - 20	+20
Does it create a Florida advantage vs. non-Florida entities?	No + 5	Yes - 5	+5
Does it create jobs?	No + 20	Yes - 20	-20
Does it create above state average salary jobs?	No + 5	Yes - 5	+5
Does it prevent tax pyramiding?	No + 5	Yes - 5	-5
Are taxpayers with similar characteristics treated the same?	No + 10	Yes - 10	+10
Do most other states tax it?	No + 5	Yes - 5	Unk
Is it used to produce a final consumption item?	No + 5	Yes - 5	+5
Does the exemption target more than 10 taxpayers?	No + 5	Yes - 5	-5
Is it fair to all taxpayers?	No + 10	Yes - 10	+10
Total	+55	-30	+25

⁵ Information in red signifies FCFEP's response to each policy question. The resulting score is reported in the Net Score column. A net positive score indicates the exemption should be repealed, while a net negative score indicates the exemption should be retained.

Subsidies to Sports Facilities**s.212.20(6)(d)(7)(b,c,d), F.S.**

Policy Question	Eliminate Exemption (weight)	Retain Exemption (weight)	Net Score
Is it a necessity-to-life item?	No + 20	Yes - 20	+20
Does it create a Florida advantage vs. non-Florida entities?	No + 5	Yes - 5	-5
Does it create jobs?	No + 20	Yes - 20	-20
Does it create above state average salary jobs?	No + 5	Yes - 5	+5
Does it prevent tax pyramiding?	No + 5	Yes - 5	-5
Are taxpayers with similar characteristics treated the same?	No + 10	Yes - 10	+10
Do most other states tax it?	No + 5	Yes - 5	Unk
Is it used to produce a final consumption item?	No + 5	Yes - 5	+5
Does the exemption target more than 10 taxpayers?	No + 5	Yes - 5	+5
Is it fair to all taxpayers?	No + 10	Yes - 10	+10
Total	+55	-30	+25

Personal Care Services (including Beauty and Barber Shops)
8121**1997 NAICS code**

Policy Question	Eliminate Exemption (weight)	Retain Exemption (weight)	Net Score
Is it a necessity-to-life item?	No + 20	Yes - 20	+20
Does it create a Florida advantage vs. non-Florida entities?	No + 5	Yes - 5	+5
Does it create jobs?	No + 20	Yes - 20	-20
Does it create above state average salary jobs?	No + 5	Yes - 5	+5
Does it prevent tax pyramiding?	No + 5	Yes - 5	n/a
Are taxpayers with similar characteristics treated the same?	No + 10	Yes - 10	+10
Do most other states tax it?	No + 5	Yes - 5	+5
Is it used to produce a final consumption item?	No + 5	Yes - 5	+5
Does the exemption target more than 10 taxpayers?	No + 5	Yes - 5	-5
Is it fair to all taxpayers?	No + 10	Yes - 10	-10
Total	+50	-35	+15

Drycleaning and Laundry Services
1997 NAICS code 8123

Policy Question	Eliminate Exemption (weight)	Retain Exemption (weight)	Net Score
Is it a necessity-to-life item?	No + 20	Yes - 20	+20
Does it create a Florida advantage vs. non-Florida entities?	No + 5	Yes - 5	+5
Does it create jobs?	No + 20	Yes - 20	-20
Does it create above state average salary jobs?	No + 5	Yes - 5	+5
Does it prevent tax pyramiding?	No + 5	Yes - 5	+5
Are taxpayers with similar characteristics treated the same?	No + 10	Yes - 10	+10
Do most other states tax it?	No + 5	Yes - 5	+5
Is it used to produce a final consumption item?	No + 5	Yes - 5	+5
Does the exemption target more than 10 taxpayers?	No + 5	Yes - 5	-5
Is it fair to all taxpayers?	No + 10	Yes - 10	-10
Total	+55	-35	+20

Other Personal Services (Pet Care, Photo Finishing, Valet Parking, etc.) 1997 NAICS code 8129

Policy Question	Eliminate Exemption (weight)	Retain Exemption (weight)	Net Score
Is it a necessity-to-life item?	No + 20	Yes - 20	+20
Does it create a Florida advantage vs. non-Florida entities?	No + 5	Yes - 5	+5
Does it create jobs?	No + 20	Yes - 20	-20
Does it create above state average salary jobs?	No + 5	Yes - 5	+5
Does it prevent tax pyramiding?	No + 5	Yes - 5	+5
Are taxpayers with similar characteristics treated the same?	No + 10	Yes - 10	+10
Do most other states tax it?	No + 5	Yes - 5	+5
Is it used to produce a final consumption item?	No + 5	Yes - 5	+5
Does the exemption target more than 10 taxpayers?	No + 5	Yes - 5	-5
Is it fair to all taxpayers?	No + 10	Yes - 10	-10
Total	+55	-35	+20

Accounting, Tax Preparation, Bookkeeping and Payroll Services 1997 NAICS code 5412

Policy Question	Eliminate Exemption (weight)	Retain Exemption (weight)	Net Score
Is it a necessity-to-life item?	No + 20	Yes - 20	+20
Does it create a Florida advantage vs. non-Florida entities?	No + 5	Yes - 5	+5
Does it create jobs?	No + 20	Yes - 20	-20
Does it create above state average salary jobs?	No + 5	Yes - 5	-5
Does it prevent tax pyramiding?	No + 5	Yes - 5	-5
Are taxpayers with similar characteristics treated the same?	No + 10	Yes - 10	+10
Do most other states tax it?	No + 5	Yes - 5	+5
Is it used to produce a final consumption item?	No + 5	Yes - 5	-5
Does the exemption target more than 10 taxpayers?	No + 5	Yes - 5	-5
Is it fair to all taxpayers?	No + 10	Yes - 10	+10
Total	+50	-40	+10

Services to Buildings and Dwellings (includes Cleaning and Pest Control) 1997 NAICS code 5617

Policy Question	Eliminate Exemption (weight)	Retain Exemption (weight)	Net Score
Is it a necessity-to-life item?	No + 20	Yes - 20	+20
Does it create a Florida advantage vs. non-Florida entities?	No + 5	Yes - 5	+5
Does it create jobs?	No + 20	Yes - 20	-20
Does it create above state average salary jobs?	No + 5	Yes - 5	+5
Does it prevent tax pyramiding?	No + 5	Yes - 5	+5
Are taxpayers with similar characteristics treated the same?	No + 10	Yes - 10	+10
Do most other states tax it?	No + 5	Yes - 5	+5
Is it used to produce a final consumption item?	No + 5	Yes - 5	+5
Does the exemption target more than 10 taxpayers?	No + 5	Yes - 5	-5
Is it fair to all taxpayers?	No + 10	Yes - 10	-10
Total	+55	-35	+20

**Scenic and Sightseeing Transportation
487**

1997 NAICS code

Policy Question	Eliminate Exemption (weight)	Retain Exemption (weight)	Net Score
Is it a necessity-to-life item?	No + 20	Yes - 20	+20
Does it create a Florida advantage vs. non-Florida entities?	No + 5	Yes - 5	+5
Does it create jobs?	No + 20	Yes - 20	-20
Does it create above state average salary jobs?	No + 5	Yes - 5	+5
Does it prevent tax pyramiding?	No + 5	Yes - 5	+5
Are taxpayers with similar characteristics treated the same?	No + 10	Yes - 10	+10
Do most other states tax it?	No + 5	Yes - 5	+5
Is it used to produce a final consumption item?	No + 5	Yes - 5	+5
Does the exemption target more than 10 taxpayers?	No + 5	Yes - 5	-5
Is it fair to all taxpayers?	No + 10	Yes - 10	-10
Total	+55	-35	+10

**Spectator Sports (Sports Teams and Clubs, Racetracks, etc.)
7112**

1997 NAICS code

Policy Question	Eliminate Exemption (weight)	Retain Exemption (weight)	Net Score
Is it a necessity-to-life item?	No + 20	Yes - 20	+20
Does it create a Florida advantage vs. non-Florida entities?	No + 5	Yes - 5	+5
Does it create jobs?	No + 20	Yes - 20	-20
Does it create above state average salary jobs?	No + 5	Yes - 5	+5
Does it prevent tax pyramiding?	No + 5	Yes - 5	+5
Are taxpayers with similar characteristics treated the same?	No + 10	Yes - 10	+10
Do most other states tax it?	No + 5	Yes - 5	+5
Is it used to produce a final consumption item?	No + 5	Yes - 5	+5
Does the exemption target more than 10 taxpayers?	No + 5	Yes - 5	-5
Is it fair to all taxpayers?	No + 10	Yes - 10	-10
Total	+55	-35	+20

**Other Amusement and Recreation Industries
code 7112**

1997 NAICS

Policy Question	Eliminate Exemption (weight)	Retain Exemption (weight)	Net Score
Is it a necessity-to-life item?	No + 20	Yes - 20	+20
Does it create a Florida advantage vs. non-Florida entities?	No + 5	Yes - 5	+5
Does it create jobs?	No + 20	Yes - 20	-20
Does it create above state average salary jobs?	No + 5	Yes - 5	+5
Does it prevent tax pyramiding?	No + 5	Yes - 5	-5
Are taxpayers with similar characteristics treated the same?	No + 10	Yes - 10	+10
Do most other states tax it?	No + 5	Yes - 5	+5
Is it used to produce a final consumption item?	No + 5	Yes - 5	+5
Does the exemption target more than 10 taxpayers?	No + 5	Yes - 5	-5
Is it fair to all taxpayers?	No + 10	Yes - 10	-10
Total	+50	-40	+10

Policy Matrix Definitions

- **Is it a necessity-to-life item?**
Does the item improve the health and well-being of Floridians? Are there alternatives that provide a similar benefit, or is this unique and not substitutable?
- **Does it create a Florida advantage vs. non-Florida entities?**
Is the item unique to Florida? Are there limited numbers of states that offer this item?
- **Does the item encourage the creation of jobs in Florida?**
Is the item in a growing sector of Florida's economy, or is it in a declining sector/industry?
- **Does it create above state average salary jobs?**
The creation of high wage vs. low wage/minimum wage jobs in Florida should be encouraged.
- **Does it prevent tax pyramiding?**
If the item is subject to other Florida taxes would its taxation for sales and use tax compound total cost?
- **Are taxpayers with similar characteristics treated the same?**
Is the exemption unique to a limited number of taxpayers (businesses) in a broader industry that is taxed?
- **Do most other states tax it?**
If the general tax policy is to tax the item, why should it be exempt in Florida?
- **Is it used to produce a final consumption item?**
Whenever possible, only final consumption items should be taxed for sales and use tax purposes.
- **Does the exemption target more than 10 taxpayers?**
Exemptions that affect a very limited number of taxpayers may provide an undue competitive advantage.
- **Is it fair to all taxpayers?**
Does the exemption unduly benefit selected taxpayers?

This report was researched and written by Michael Walsh, Senior Analyst, and John Hall, Executive Director, both with the Florida Center for Fiscal and Economic Policy, and Julie Harrington, Ph.D., Director, Center for Economic Forecasting and Analysis (CEFA), The Florida State University. Dr. Harrington is the Director of the FSU Center for Economic Forecasting and Analysis (CEFA). She holds a doctorate in Economics and an MS in Fisheries/Water Quality from Auburn University, and a Bachelor's degree in Fish and Wildlife Management, from Montana State University. She has an extensive background in economic, econometric and statistical analysis. Her primary research efforts are in the areas of environmental/natural resources, energy, aerospace, education economics and economic development. She is the Director of the FSU Economic Opportunities Office within the FSU Florida Center for Advanced Aero-propulsion (FCAAP) Center of Excellence, and is a member of the FSU Institute of Energy Systems, Economics and Sustainability (IESES).

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