

Florida tax relief enacted

July 2, 2015

Overview

Florida Governor Rick Scott recently signed into law House Bill 33-A (HB 33-A),¹ which makes several changes to Florida's tax laws. Notable provisions of the new law include:

- A 1.73 percent permanent reduction in the communication services tax rate, effective July 1, 2015
- A 10-day, back-to-school sales tax holiday, beginning August 7, 2015
- The extension of the Community Contribution Tax Credit program, effective July 1, 2015
- Increased funding for and changes to the distribution of the Research and Development Tax Credit, effective July 1, 2015

In this Tax Alert we summarize these changes and provide a brief overview of some of the other more significant provisions of the new law.

Communications services tax rate reduction

The communications services tax (CST) is generally imposed on retail sales of telecommunications, video, direct-to-home satellite, and related services, and includes both state and local components.² Applicable to taxable communication service transactions that are billed on or after July 1, 2015, HB 33-A reduces the state CST rate by 1.73 percent as follows:

- For direct-to-home satellite services, the rate is reduced from 10.80 percent to 9.07 percent.
- For other taxable communications services, the rate is reduced from 6.65 percent to 4.92 percent.³

Although the reduced tax rates are effective July 1, 2015, dealers may continue to collect the CST from customers based upon the old rates through September 30, 2015. However, a dealer who collects tax using the old rates must: (1) remit all tax collected to the Florida Department of Revenue (DOR), and (2) credit the tax overpayment to customers no later than March 1, 2016.⁴ The dealer can take a credit on its CST return for the amount credited to customers.⁵

Effective October 1, 2015, for purposes of determining tax due, the new law also allows dealers to elect to use a month-long period that is other than a calendar month.⁶

Back-to-school sales tax holiday and one-year textbook sales tax exemption

Beginning August 7, 2015, and ending August 16, 2015, HB 33-A provides that no sales tax may be collected on purchases of the following items:

- Clothing, footwear, wallets, and certain bags (including handbags, backpacks, fanny packs, and diaper bags), having a sales price of \$100 or less;
- School supplies having a sales price of \$15 or less; and
- The first \$750 of the sales price for personal computers and related accessories purchased for noncommercial home or personal use.

This 10-day, sales tax holiday does not extend to items sold in a theme park, within a public lodging establishment,

¹ H.B. 33-A, 2015 Leg., Spec. Sess. (Fla. 2015), Chap. 2015-221, Laws of Florida (signed by Governor Scott on Jun. 16, 2015); copy of enrolled version available [here](#).

² Fla. Stat. § 202.12.

³ H.B. 33-A, Sec. 2 and Sec. 9, amending Fla. Stat. §202.12.

⁴ H.B. 33-A, Sec. 17, amending Fla. Stat. § 202.12(1)(a) and (b).

⁵ *Id.*

⁶ H.B. 33-A, Sec. 5, amending Fla. Stat. §202.27.

or within an airport. The DOR is given emergency rule making authority to implement this temporary law change.⁷

Effective July 1, 2015, the new law also provides a one-year sales tax exemption for the purchase of textbooks and instructional materials, in print or digital format, that are required or recommended for use in courses offered by a public postsecondary educational institution or a nonpublic postsecondary educational institution that is eligible to participate in Florida's tuition assistance programs.⁸ This exemption is scheduled to sunset on June 30, 2016.

Extension of Community Contribution Credit

The new law extends the expiration date of the Community Contribution Tax Credit Program from June 30, 2016, to June 30, 2018. Credits under this program may only be used to offset one of the following taxes: sales and use tax, corporate income tax, or insurance premium tax. For projects that provide housing opportunities for persons with special needs or homeownership opportunities for low-income and very-low-income households, the maximum tax credit amount that may be granted under the program cumulatively for all taxpayers is \$18.4 million for the 2015-2016 fiscal year, \$21.4 million for the 2016-2017 fiscal year, and \$21.4 million for the 2017-2018 fiscal year. The maximum tax credit amount that may be granted under the program for all other projects is \$3.5 million annually.⁹

Increased funding for Research and Development Tax Credit

H.B. 33-A increases the corporate tax Research and Development Credit limit from \$9 million to \$23 million for the 2015-2016 fiscal year. The new law limits the annual credit application period to March 20 through March 26, and changes the former first come, first served distribution method for the credit to a pro rata allocation method. The new law also limits the credit to certain Qualified Target Industries.¹⁰

Other provisions

Other notable provisions of H.B. 33-A, effective July 1, 2015, include:

- Adding an exemption from the aviation fuel tax on sales of aviation fuel to certain colleges and universities for use exclusively for flight training through a school of aeronautics or college of aviation.¹¹
- Adding a sales tax exemption for admissions to and membership fees for gun clubs.¹²
- Capping the maximum amount of sales and use tax on each repair of a boat at \$60,000.¹³
- Revising the definition of "livestock" and "agricultural production" for sales and use tax purposes.¹⁴
- Amending the sales and use tax exemption for prepaid college meal plans, so that sales by third-party meal plan service providers (not just colleges or universities) are exempt.¹⁵
- Adding a new three-year exemption from sales and use tax for the importation of a motor vehicle purchased and used in a foreign country by an active member of the U.S. Armed Forces or his or her spouse.¹⁶
- Adding a new sales and use tax exemption for aquaculture and aquaculture feed, irrigation equipment, parts and repairs of power farm equipment and irrigation equipment, equipment to store raw products on a farm, the first \$20,000 of the sales price for a farm trailer, and plant support stakes.¹⁷
- Permitting school support organizations to pay the sales and use tax to their suppliers on the cost of food, drinks, and supplies necessary to serve the food or drink instead of collecting the tax from the consumer and remitting the tax to the DOR.¹⁸
- Increasing the maximum contaminated site rehabilitation corporate income tax credit from \$5 million to \$21.6 million for the 2015-2016 fiscal year.¹⁹

⁷ H.B. 33-A, Sec. 28, amending Fla. Stat. Ch. 212.

⁸ H.B. 33-A, Sec. 29, amending Fla. Stat. Ch. 212.

⁹ H.B. 33-A, Secs. 14, 18, and 19, amending Fla. Stat. §§ 212.08, 220.183, and 624.5105.

¹⁰ H.B. 33-A, Sec. 21, amending Fla. Stat. § 220.196.

¹¹ H.B. 33-A, Sec. 10, adding Fla. Stat. § 206.9825(1)(e).

¹² H.B. 33-A, Sec. 12, adding Fla. Stat. §212.04(2)(a)11.

¹³ H.B. 33-A, Sec. 13, amending Fla. Stat. §212.05.

¹⁴ H.B. 33-A, Sec. 11, amending Fla. Stat. §212.02.

¹⁵ H.B. 33-A, Sec. 14, amending Fla. Stat. §212.08.

¹⁶ *Id.*

¹⁷ *Id.*

¹⁸ *Id.*

¹⁹ H.B. 33-A, Sec. 22, amending Fla. Stat. § 220.1845.

Contacts

If you have questions regarding these Florida tax law changes or other Florida tax matters, please contact any of the following Deloitte Tax LLP professionals.

[Jamie Summers](#)

Partner
Deloitte Tax LLP, Miami
+1 305 372 2608

[Christopher Snider](#)

Director
Deloitte Tax LLP, Miami
+1 305 808 2377

[Cathy Newport](#)

Senior Manager
Deloitte Tax LLP, Tampa
+1 813 470 8633

[Ian Lasher](#)

Senior Manager
Deloitte Tax LLP, Tampa
+1 813 405 1930

[Ben Jablow](#)

Manager
Deloitte Tax LLP, Tampa
+1 813 405 1926

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