

APRIL 2002

Volume XII, No. 4

SALES TAX COMMISSION CREATED DURING LEGISLATIVE SESSION

FUBA appreciates all of our members who took the time to get involved against the Florida Senate's proposal to repeal sales tax exemptions. Thanks to your efforts, we were able to hold back the plan until the very end of the legislative Session. Unfortunately, however, when the issue got caught up in politics between the House and Senate, the House was unable to hold firm in their resistance. The end result is that the Legislature approved House Joint Resolution 833.

This Resolution is a proposed amendment to the Florida Constitution, which voters will have to approve before it can become effective. If approved by the voters, the Resolution will establish a 12-member commission made up of Senators and Representatives to review **all** exemptions from the state sales tax over a 3-year period. The commission will have the power to change Florida's tax law, without approval from the Governor, unless the Legislature specifically acts to counteract the commission's decision.

All tax issues will be reviewed and subject to repeal, including the current exemptions for services, as well as medicine and food. In this respect, this new proposal is much more broad and potentially damaging than the Senate's earlier proposal to tax certain services.

This is our best idea of how the commission will work, assuming it is approved on the November ballot by Florida voters: 6 Senators and 6 Representatives will decide to review a tax, such as a tax on services. After a hearing and presumably some public input from interested parties, the commission will vote on whether to tax the service or not. If 7 of the 12 members agree to tax the service, the tax law will change in 2 years, unless the entire Legislature acts to prevent it from becoming effective.

By approving this commission, the Legislature has endorsed the idea of having 7 elected officials change tax policy in this state. FUBA, along with numerous other business groups, has strenuously argued against this plan. We are currently considering our options to challenge this plan in court in order to prevent it from being placed on the ballot. We believe the uncertainty that would result from this commission would be very hazardous to Florida's already shaky economic climate, and we oppose the idea that 7 people can make the decision to tax services.

Please continue to read the monthly newsletter and watch for updates on our legal challenge to House Joint Resolution 833. If you have any questions or concerns, please feel free to call the FUBA offices at 1-800-262-4483 and ask for Karen or Lance.

ELECTRONIC FILING NOW REQUIRED FOR FLORIDA SALES TAX AND UNEMPLOYMENT COMPENSATION

The Florida Legislature has approved Senate Bill 426, which requires electronic filing of sales tax returns and quarterly unemployment compensation returns. The new law will also require sales tax remittance and unemployment tax payments to be made electronically. Here are the details:

Sales Tax Returns: Effective January 1, 2003, a business that collects \$30,000 or more in state sales tax during the previous year will have to file its monthly sales tax returns using a computer. The Department of Revenue has developed an Internet-based system for these reports and guarantees that the system is secure. Your data will not be shared with anyone else. In addition, you will receive a return receipt indicating that the Department of Revenue has received your return.

WORKERS' COMPENSATION EXEMPTION CHANGES

You can get a **waiver** from the requirement to file your sales tax returns on-line by stating that:

- Your business does not have a compatible computer that meets or exceeds the minimum standards required to file on-line; or
- You need more time to program your computer to begin filing on-line; or
- Complying with the requirement to file on-line would cause your financial hardship; or
- Complying with the requirement to file on-line conflicts with your business procedure.

Sales Tax Remittances: Also starting January 1, 2002, a business that collects \$30,000 or more in state sales tax during the previous year will have to remit its monthly sales tax collections via electronic means. You can either use Electronic Funds Transfer ("EFT") or the Department's secure Internet site to transfer the appropriate funds to the state. EFT is where you allow the Department of Revenue to debit the appropriate fund from your existing bank account by calling a toll-free number and authorizing the withdrawal. Both of these methods require pre-approval. For instructions or assistance, visit the Department's web site at <http://sun6.dms.state.fl.us/dor>.

Unemployment Compensation Returns (UCT-6): Effective January 1, 2003, any business with 10 or more employees must submit the Employers Quarterly Report ("UCT-6") via the Department of Revenue's secure Internet site. Businesses can request a waiver if they meet one of the reasons stated above in the waiver discussion under Sales Tax Returns. However, to receive a waiver from the requirement to file your UCT-6 on-line, you must agree to file your unemployment data via tele-file, which is where you call a toll-free number at the Department of Revenue and key in your data using a touch-tone phone.

Unemployment Compensation Tax Payments: Also starting January 1, 2003, a business with 10 or more employees must begin remitting its quarterly unemployment compensation taxes via electronic means.

The details of all of these new reporting and remitting requirements are still being worked out. Please consider this article a "heads-up" that these requirements are coming next year. Look for many more details about how to comply in future editions of this newsletter.

The Florida Legislature has approved Senate Bill 108, which will make several changes to the way those involved in the construction industry can use exemptions from workers' compensation. All of these changes explained below will become effective on July 1, 2002.

Corporate Officers: Corporations involved in the construction industry will still be allowed to exempt up to 3 corporate officers, but the exemptions will not be applicable if the officers work on any commercial building project with an estimated value of \$250,000 or more. "Commercial building" is defined as any building or structure intended for commercial or industrial use, or any building or structure intended for multi-family use or more than 4 dwelling units. It does not include the conversion of any existing residential building to a commercial building.

Any corporate officer claiming an exemption must be listed on the records of the state Division of Corporations as a corporate officer.

Sole Proprietors and Partners: Sole proprietors and partners of partnerships involved in the construction industry will still be allowed to obtain exemptions, except when they work on any commercial building project with an estimated value of \$250,000 or more. In those circumstances, the sole proprietor or partner will be considered an employee, and their otherwise valid exemptions will not be recognized.

In other words, a person who is actively engaged in the construction industry and who is working on a commercial project with an estimated value of \$250,000 or more will not be considered an independent contractor and instead will be considered either an employer who must purchase workers' compensation coverage or an employee who must be covered by his or her employer's workers' compensation.

These changes are very confusing and were opposed during the Session by a majority of the trade associations representing contractors. As we sort the details out on how this new system will work, we will update you through this newsletter.