

# 300 WORDS (more or less) about SALES TAX ON SERVICES

**PROBLEM**—Like the rest of the nation, Florida is facing a budget shortfall for next year that many predict could reach \$5 billion. To fill that gap, the Legislature will be examining sales tax exemptions and exclusions. This examination could also include a tax on services. It is possible that could include insurance and/or insurance agent commissions, particularly those paid to “independent” agents who are not employees of carriers.

**BACKGROUND**—Florida gets a large portion of its state revenue dollars from sales tax. Of the total potential sales tax base, some items are exempt from the tax and some are excluded from the tax base, such as the services that insurance agents perform for their customers in placing insurance coverage. Some have suggested that all exemptions and exclusions (including services) should be re-examined. There has also been the suggestion that review should be under what is known as a “sunset” where they are eliminated unless positively re-enacted. This sunset process creates an uneven playing field where opponents to a particular sales tax exemption only need to stop its re-passage or, if passed, convince the governor to veto the bill re-enacting it. In the House, legislators examined a list of over 230 current exemptions and, after a series of workshops, narrowed the list down to 51 current exemptions deserving fur-

ther scrutiny. If an exemption were deemed no longer necessary and proper, legislation would be introduced to eliminate it. The leadership of the House is not considering exclusions such as services at this time. We believe this is the proper approach. However, Rep. Dorothy Hukill has filed HB 1163 that would look at all exemptions and exclusions, and would do so using a sunset approach. In the Senate, there have been indications that “nothing is off the table,” which could mean that the exclusion for services could be re-examined. In fact, Sen. Lynn has filed SB 2576, a companion to Rep. Hukill’s bill, which does just that. Because of the potential for “pyramiding” (imposing taxes at multiple levels when services are rendered), any tax on services should be very carefully examined.

**SOLUTION**—Support the systematic examination of sales tax exemptions; but, in order to make certain that insurance and insurance agent commissions are not taxed, oppose any tax on excluded services. The examination of exemptions should be done in a pro-active manner where each one is examined on its merits and, if found to be no longer valid, affirmatively repealed. A blanket repeal using a sunset approach should not be used. Therefore, oppose HB 1163 and SB 2576.

**FOR MORE INFORMATION, CONTACT:**

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