Outdoors in a Historic Experience

For More Information

Get Your Tickets Today!
Florida Tax Reaches Beyond Border

Continued From Page 1
stein said, would be paid by the sales tax each time it is advertised on network television or in a national magazine or newspaper.

"That is an unusual and new concept, but it is necessary to reach the buyer," said Charles Bayly, senior tax counsel at the Internal Revenue Service.

The tax has been described as a new means of generating revenue for the Florida government and a way to promote the state's tourism industry.

Because of the tax's far reach, many of the industry groups that favored the tax campaign in the last few weeks are mapping strategies to fight the sales tax in court on a variety of constitutional grounds. The Florida Realtors Association has already filed suit.

At the same time, some out-of-state newspapers and magazines have failed to cover Florida convention sites until the tax is repealed. The Magazine Publishers Association, which represents about 50 magazines that publish more than 1.2 million copies each month and advertise in more than 600 other magazines, notified hotels today of the possibility of cancellation of conferences scheduled for Florida.

"If they want it to be business, we want to be anti-Florida," said William J. Gorog, president of the magazine group.

But leading Florida lawmakers, who have been pushing the sales tax package, are in a less than three weeks, discounted the prospect of intense retaliation from out-of-state businesses.

"They use the tax on services and the sales tax on goods as a means to do business in one of the nation's fastest-growing and most lucrative markets," he said.

"It's no different now than those who choose to buy in Florida. House Speaker Jon Mills told a news conference, "Welcome to Florida." Florida, which has no personal income tax and has been known for its low taxes, is also becoming known for its tax advantages. Florida faced the wrath of the American and international business community in 1983 when it enacted a "unitary" tax, a levy on Florida subsidiaries based on what a parent company earned worldwide. By 1984, the reactions from industry proved so strong that Florida was forced to repeal the tax.

"Mr. Mills said the sales tax did not compare with the unitary episode, although the sales tax on services will raise more than twice the money. By the time the tax is fully in place, it should bring more than $1 billion a year to help Florida improve its basic services, which have been strained by the state's explosive population growth."

The Services to be Taxed

The new tax will apply to a broad range of services, including most legal and accounting fees, car towing, builders' and contractors' fees, cleaning and pest control, most types of bank fees other than interest on loans, real estate commissions, except in connection with the sale of a principal residence, and local and national advertising.

"I think it's a dangerous precedent," said Phil DeMartino, president of the Miami Herald Publishing Company. "We think from a principle standpoint, it is a real freedom of the press issue." Advertisers in national magazines and newspapers will be required to pay a tax based on the portion of the periodical's circulation in Florida. For example, an advertiser places $100,000 of ads in a magazine with 10 percent of its total circulation in Florida, the 3 percent tax would be applied to $10,000 in ad charges.

For a network's broadcasts, the tax would be based on its Florida audience coverage relative to the size of its national market.

Exempt Categories

Among the categories exempt from the tax are health care and most agricultural services, travel agent fees, bookings commissions and haircuts. Also exempt are "casual" sales by young boys who earn spending money mowing lawns or baby-sitting.

"A burgeoning home for motion picture production, will exempt film production from the tax. The services of advisers and coaches will also be exempt.

Large segments of the Florida business community are unhappy with the new tax on the out-of-state counterparts. And even state officials worry about how effective they will be in collecting and compliance, particularly from out-of-state businesses.

Business interests also object to the new tax. If enacted, the new tax will impact Florida's tourism industry and even some out-of-state businesses, according to a recent survey. For instance, a Florida who hirers a lawyer to defend against a criminal charge will be exempt from the sales tax only if he is found guilty of the charge. Guilty parties will have to pay the tax.

"Absolutely Bizarre" is the reaction reported by Richard C. McFarland, a lawyer and lobbyist for the Florida bar. While most states tax a few services - for example, New York City and Los Angeles - only South Dakota, Iowa, New Mexico and Hawaii have broadened their sales tax systems. But Florida's tax goes much further than the others in taxing out-of-state firms. Many lawmakers here felt the new tax was necessary to preserve Florida's tourism industry from bypassing local professionals and using out-of-state firms.

"They don't want people to go to Georgia," said Professor Heilman.

S.E.C. Appeal On Bank Rule

SPECIAL TO The New York Times
WASHINGTON, April 24 - The Securities and Exchange Commission today said that it had decided to appeal a recent court decision that struck down the commission's first attempt to regulate the securities businesses of commercial banks.

The SEC said that it had rejoined the appeal in the Ninth Circuit Court of Appeals here in order to review the opinion of a three-judge panel that struck down the SEC's rules.

The appeals court panel ruled unanimously today that the SEC had exceeded its authority in adopting its rules, designed to prevent banks engaged in the securities business from also engaging in the banking business. The court panel ruled that the SEC had exceeded its authority in adopting its rules, designed to prevent banks engaged in the securities business from also engaging in the banking business.

The appeals court panel ruled unanimously today that the SEC had exceeded its authority in adopting its rules, designed to prevent banks engaged in the securities business from also engaging in the banking business.