

ASSOCIATED INDUSTRIES OF FLORIDA  
**LEGISLATIVE  
DAILY BRIEF**



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**FOR JANUARY 29, 2002**

**TAX REFORM – MORE CHANGES**

Senate President John McKay's (R-Bradenton) proposal to reform Florida's tax code continued its lightening track through the process with approval today by the Senate Rules & Calendar Committee. The Florida Senate, traditionally viewed as the sober-minded body that slows down the more ideologically motivated and ambitious House, has turned this image on its head with their treatment of the proposed reform of Florida's tax code. Legislation naming a State Pie or a State Flower would have received more debate than this package.

The package consists of two pieces of legislation, CS/SJR 938, which contains the language placing a proposed amendment to the Florida Constitution on the November Ballot. CS/SJR 938 stipulates that the sales tax rate will be reduced from 6 to 4.5% and repeals all sales tax exemptions except for those salvaged by the Legislature during the 2003 and 2004 sessions. CS/CS/SB 1106 is the implementing bill. Both are by Senator Ken Pruitt (R- Port St. Lucie) at the direction of Senate President McKay.

The implementing bill basically attempts to cobble together what should be a drawn out methodical process of evaluating all of the state's sales tax exemptions. The bill enumerates which exemptions should remain and which ones should be done away with, all crafted by Senate committee staff and with little or no discussion.

The bill is fundamentally a promise at best, since anything they enact in this bill is subject to repeal by the 2003 and 2004 Legislatures. A sitting Legislature cannot bind a future-sitting Legislature. Tactically, by doing "tax reform" in one bill, Senator McKay is attempting to eliminate political opposition by exempting out those who have squealed the loudest and leaving in those who do not have the political wherewithal to resist at this stage.

The promises of CS/CS/SB 1106 lengthened today. The Senate Rules and Calendar Committee further amended the bill. As you may recall, the tax reform is supposed to be revenue neutral the first year of its implementation. The Legislature is supposed to enjoy the prerogative of enacting further exemptions if revenues exceed those projected by the Revenue Estimating Conference. The promises were lengthened today when the Committee approved language that placed "transportation" first in line if revenues should exceed "revenue neutrality." As Senator King (R-Jacksonville) put it today, this is the "exemption waiting list." They couldn't outright exempt transportation since the bill is like an egg balancing on a kitchen table, with the just the right combination of exemptions and repeals to bring in the necessary \$4.2 billion in additional revenue to fund the 1.5% reduction in the sales tax.

Of course, the Committee meeting took all of 45 minutes. Last Friday's meeting, which took three hours mainly consisted of public testimony. None of the Senators on the Senate & Finance Taxation Committee actually debated the merits of the exemptions stipulated in CS/CS/SB 1106. All 180 pages went with little remark. Before that there was a "workshop" where the leadership actually tried to amend the proposal before members of the Committee protested, not having seen the amendments prior to the meeting. And now, the package zooms to the Senate floor later this week.

**AIF's position has been consistent on this issue. AIF supports a methodical, sober review of all of Florida's sales tax exemptions. AIF is even willing to place the much demonized "business exemptions" first in the docket for review. We believe we can meet any reasonable standards established for a review of the exemptions. The McKay Plan is not really a plan. From the beginning it has been a hurly-burly, ad hoc, improvised process with little or no consideration to the merits of any of the exemptions, except for the political muscle of those involved. They have crafted an implementing bill to skirt political opposition and wish to proceed with an amendment to the Florida Constitution that will only hand-cuff Florida and future Legislatures for generations. Tax Reform is too complex and even too seductive, if "sold" incorrectly, to be summed up accurately on a November ballot. The Legislature should do what it is "paid" to do and review the exemptions along with the Executive Branch. CS/CS/SB 1106 is 'Exhibit A' on how not to reform Florida's tax code.**

### **Supreme Court Selection and Terms**

SB 162 by Senator Anna Cowin (R-Leesburg) was "temporarily postponed" today in the Senate Judiciary Committee. This means the Committee will have to get back to the bill next time. It was not voted on by the Committee. SB 162 proposes an amendment to the State Constitution to make proceedings of judicial nominating commissions public and to abolish retention elections for the offices of Supreme Court Justice and district court of appeal judge, making the offices appointive by the Governor, subject to Senate confirmation, with no one eligible to serve more than 18 consecutive years.

While AIF has no position on this bill, it is a fascinating proposal. Unlike tax exemptions, the "ground rules" for Florida's judiciary are rightfully housed in the Florida Constitution. Any attempt to alter these ground rules must go through the Constitution. Senator Cowin's proposal is yet another attempt to do something – *anything* - to re-establish some accountability to a Judiciary system run amok, unresponsive to the body politic and the expressed will of the Legislature. The courts have taken to crafting law as opposed to interpreting law through the Constitution, which is its duty. And, simply put, the Supreme Court has a less than veiled contempt for the business community, seemingly ruling against businesses at every turn.

The bill was postponed for a pretty mundane reason. Senator Cowin had crafted some amendments to embrace concerns of the Committee; however, the staff copier broke down. No one had copies of the amendments. While staff frantically looked for another copier, the clock continued to tick and finally, it was decided that the issue would simply be re-addressed at the next meeting.

HB 567 by Representative Fred Brummer (R-Apopka) has not been heard in committee and it has been withdrawn from further consideration. At this point, we are not aware if another House companion bill will be introduced.

Stay tuned to our daily brief and to our web site at [www.fbnet.com](http://www.fbnet.com) as the legislature makes some very important decisions on the state's economy. These decisions will have a major impact on the business community and AIF will be reporting to you everything that happens.

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