

ASSOCIATED INDUSTRIES OF FLORIDA  
**LEGISLATIVE  
DAILY BRIEF**



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**FOR FEBRUARY 4, 2002**

Today's schedule for the Legislature was relatively light. There are two reasons for this:

Number one, Committee action that might be devoted to substantive issues of interest to the business community was tied up today on Congressional and State redistricting hearings. Re-drawing the House, Senate and Congressional districts will be a time consuming effort throughout the session.

Number two; Committee action that might also be devoted to crafting a budget for the 2002-03 fiscal year has been slow. In recent years, the House and Senate have been quick off the mark in getting together respective budget proposals by the middle of session. However, with the recent budget cutting Special Session still fresh in everyone's minds, the Legislature has slowed the process. Both the House and Senate want the most recent and most accurate revenue numbers available before attempting to come to final agreement on the budget. The Revenue Estimating Conference is scheduled to meet again on March 8. The Revenue Estimating Conference provides the revenue numbers generally utilized by the Legislature to craft its budget. It is expected that while the budget subcommittees will be holding workshops and putting together preliminary proposals, the budget work and negotiations between the two chambers will not get frantic until after March 8.

### **TAX REFORM**

Now that the Senate has adopted its versions of Tax Reform with the vote and approval on Thursday, January 31 of CS/SJR 938 and CS/CS/SB 1106, the ball is in the House of Representatives' court.

While the Senate was moved largely by the sheer will of Senate President John McKay (R-Bradenton), the House will be taking a more sedate look at the issue. House Speaker Tom Feeney (R-Oviedo) does not appear to be overly smitten with the proposal. He has promised a full and fair hearing on the issue, but this is not a proposal that he intends to push.

At the request of the House Republican Task Force on Tax Reform, Randy Miller, AIF's Senior Executive Vice President will be appearing before the Task Force to brief the members on the 1987 Services Tax tomorrow morning. Mr. Miller is the former Executive Director of the Department of Revenue and was charged in 1987 with the difficult task of implementing the 1987 Services Tax collections. The ill-gotten tax was ultimately repealed in the same year after screaming opposition from the business community and the public.

The Task Force' interest in Mr. Miller's experience is fairly straightforward. In order to reduce the sales tax rate from 6% to 4.5%, as Senate President McKay's proposal mandates - if adopted, an additional \$4.2 billion in tax revenue must be found among Florida's current sales tax exemptions and repealed. The sum total of the business community's sales tax exemptions is \$1.88 billion. So even if all of the business community's sales tax exemptions were repealed - which would be catastrophic - the McKay proposal *still requires that an additional \$2.32 billion in sales tax dollars be found among current organization, miscellaneous and services tax exemptions*. So, in effect, the McKay proposal is a services tax. Consequently, Mr. Miller's insight on the 1987 controversy has real value to the Task Force.

Last Friday, the House Select Committee conducted further public hearings on Florida's Economic Future. This bipartisan Committee is charged with soliciting and analyzing public input on the Senate proposal. The hearings, held in Panama City and Pensacola, mirrored the same input provided in Orlando and Tampa earlier this month. The public turnout has been surprisingly large and adamantly opposed to the proposal. It appears that business people in this state have a long memory and want nothing to do with anything that smacks of a services tax. In addition, there is the justifiable belief among the public that whenever the Legislature begins to breathe heavy about tax reform, that's code for "tax increase."

**This is the very ill conceived form of tax reform AIF feared would take place. AIF supports and is willing to debate the business community's sales tax exemptions enjoyed under current law. AIF believes our employer's exemptions have merit and that they can be defended on any reasonable standard. We support an orderly, methodical review of all of Florida's sales tax exemptions. We do not support a review demanded by an amendment to the Florida Constitution with a clock ticking ever louder demanding that the Legislature scramble to find billions of dollars in sales taxes. The indiscriminate inclusion of a whole host of exemptions in the implementing bill (CS/CS SB 1106), selected by a few staffers in the Senate to push back political opposition is the very scenario AIF predicted would occur.**

**The Florida Constitution is not the appropriate vehicle for tax reform. The Legislature has already lost latitude with the Constitutional prohibitions against a personal income tax and an ad valorem property tax. In addition, by placing the Legislature on a timeline with a dictated amount of additional tax dollars to be found (\$4.2 billion) any objective, honest debate with regards to the merits of any given exemption are indelibly compromised. Taxation is and should be the prerogative of the Executive Branch and the Legislature.**

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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- Send us your E-mail address and we will begin to send this report to you automatically via E-mail.