

ASSOCIATED INDUSTRIES OF FLORIDA

LEGISLATIVE DAILY BRIEF



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FOR JANUARY 31, 2002

TAX REFORM

Unsurprisingly, the Florida Senate approved CS/SJR 938 and CS/CS/SB 1106 by substantial majorities today. The Senate Joint Resolution, which needed 24 votes or 2/3 of the body to place a proposed amendment to the Florida Constitution on the November ballot, received 31 yeas and 9 nays. The implementing bill, CS/CS/SB 1106 was adopted by a vote of 31 yeas and 8 nays. Both the proposed amendment and the implementing bill are on their way to the Florida House of Representatives for consideration.

Here are some notes and observations from the Senate floor debate:

- Senate members repeatedly congratulated themselves for taking such a courageous stand on this issue. Senator Ken Pruitt (R-Port St. Lucie) even compared their consideration of this tax package to the historic debates by our Founding Fathers. Senator Alex Villalobos (R-Miami) called SJR 938, which places the proposed reform as an amendment to the Florida Constitution on the November ballot, “the essence of democracy.” Senator Jim Sebesta (R-St. Petersburg) opined that what could be better than, “letting the voters decide?” For all their self-plaudits for heroism, defending democracy and courage on this tax reform proposal, completely lost in the debate was the essential fact that the Senate is Passing The Buck. There is no courage or heroism in dumping a complex (Senator Steven Geller (D-Hallandale) Beach called it “complicated”) tax reform proposal on the voters in November. At best, the issues will be vetted by competing 30-second ad spots on television. The Florida Sales Tax Code should be considered, debated and amended by the Florida Legislature. We are a *representative* democracy, and the Senators are paid to figure these things out. The Florida Legislature and Governor are still trying to unwind a crazy Constitutional amendment adopted in 2000 requiring a High-Speed Rail system. And let’s not forget a Net Fishing Ban actually adopted by voters into the Constitution in 1998 that wrecked the incomes and trade of generations of fisherman on the panhandle coast. The voters had no idea what they were voting for or what the impact would be. They take the same risks with tax reform as well.
- In order to buy off support for the proposed amendment, the Senate adopted an implementing bill, which actually stipulates which sales tax exemptions should remain and which should be repealed. And so, contrary to the original intent of reform, which is the considered and methodical review of all of Florida’s sales tax exemptions, one bill was adopted addressing all the exemptions for good or for ill with virtually no debate on their merits. Anyone on the floor today trying to amend the CS/CS/1106 was basically cut off with the remonstrations that, “all the numbers work, you can’t adjust one without effecting all the others.” No one could actually debate the exemptions in the bill because the bill must provide \$4.2 billion in additional revenue – no more, no less - to compensate for the reduction in the sales tax from 6% to 4.5%.

- Senator Ron Silver (D-Miami) suggested on the Senate floor that business groups opposed to this tax reform were being “selfish” and not, “looking at the big picture.” He said that as Chairman of the Appropriations Subcommittee on Health and Human Services, they had to make, “life and death” decisions during the last special session. In other words, he was suggesting that what programs they chose to fund or not to fund decided who lived or died. He believes Florida needs more tax money. In 1998 Senator Silver voted 100% in favor of AIF’s positions on taxation. In 1999 he voted with AIF 75% and in 2000 he was 85%. In 2001 Senator Silver was 100%. All of AIF’s positions since 1998 have either embraced tax reduction or ease of tax administration. As the Dean of the Florida Legislature, serving since 1978, Senator Silver had to know that the economy goes up and it goes down. What was he thinking when he voted for these tax decreases? After the Special Session budget cuts in November, the overall budget for Health & Human Services remains higher than it was the last fiscal year. *In reality, Senator Silver was exaggerating, and in so doing, impugned the integrity and character of Florida’s employers.* The truth is, Senator Silver consigned no one to a cold, lonely death because he voted for tax decreases. His remarks illustrate how hysterical some of the debate has gotten on this tax plan.
- In a radio broadcast last night, Senator Ken Pruitt (R-Port St. Lucie) blamed big business and corporate America for all of Florida’s ills by their unwillingness to surrender their tax exemptions. Senator Pruitt failed to mention or does not realize that of the \$22 billion in sales tax exemptions provided under current law, “Big Business” comprises only \$1.88 billion of those sales tax exemption dollars.
- On one hand, the Senators kept noting that the plan was “revenue neutral,” while on the other hand they kept crying how Florida needs more tax dollars. Is this a tax increase or not? The debate would not answer that question.
- Some suggested that while “revenue neutral,” the plan would provide more stability in tax revenues when the economy went down. However, the tax exemptions they seek to repeal will simply not accomplish that goal. Only by repealing the taxes on necessities – food, rent and medicine – will one insure a steady revenue stream. The problem is on the spending side when times are good and the State’s coffers are flush with funds. Currently, they spend it all.

The House continues to hold public hearings on this issue. No House versions of the Senate plan have been introduced for consideration. However, it is rumored that Senate leadership has selected and contacted Representative Nancy Detert (R-Venice) as a potential House sponsor. Since there are only three weeks of Committee hearings remaining and it is likely that the public hearings will take at least two more weeks, it will be a close call if and when the House decides to take up the Senate plan.

Stay tuned to our daily brief and to our web site at 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.

This report was prepared by Curt Leonard, Manager – Governmental Affairs at Associated Industries of Florida (AIF). Please send your comments or suggestions to us at aif@aif.com or call the Governmental Affairs department at (850)224-7173.

- For more information on all of the important legislative information concerning the business community, go to our “members only” Florida Business Network web site at <http://fbnet.com>
- Send us your E-mail address and we will begin to send this report to you automatically via E-mail.