

ASSOCIATED INDUSTRIES OF FLORIDA  
**LEGISLATIVE  
DAILY BRIEF**



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**FROM SPECIAL SESSION 'E'  
FOR APRIL 29, 2002**

The Florida Legislature returned today at the call of Governor Jeb Bush. A lot of work was left undone at the conclusion of the Regular Session on March 22 and, as has been well reported, the Special Session to adopt the school code rewrite went into a ditch earlier this month.

In addition to taking up the school code rewrite again, the Legislature will have to come to an agreement on the 2002-03 FY budget and the duties and responsibilities of the newly created Cabinet office of Chief Financial Officer. In addition to these and other lesser issues included in the Governor's agenda, there may be a concerted attempt to take up a whole raft of health care related bills that collapsed in a heap the last night of the Regular Session.

**STATE CORPORATE INCOME TAX PIGGYBACK**

The Senate Finance & Taxation Committee passed SB 18E by Senators Charlie Clary (R-Destin) and Ken Pruitt (R-Port St. Lucie) by a vote of 5 yeas to 4 nays over the vigorous objections of the committee's Democrats. The bill is written to "piggyback" the federal corporate income tax code, including recent changes made to the code in early March by the President and the U. S. Congress.

One of the primary reasons the House and Senate were unable to come to an agreement on the budget during the Regular Session was over the state corporate income tax "piggyback" issue.

As we have previously reported, the Federal Job Creation and Worker Assistance Act was signed into law on March 9<sup>th</sup> by President George W. Bush. The bill enjoyed overwhelming, bipartisan support in the U. S. Congress. The expressed purpose of the Act is to provide extraordinary assistance to workers and to employers in the wake of a recession worsened by the effects of the September 11, 2001 attacks and the subsequent, ongoing war against terrorists and their state sponsors.

After passing what, until now, was a routine, annual bill that piggybacked, or "linked up" the state corporate income tax code with the federal code, the Florida Senate had second thoughts towards the end of the 2002 Regular Session. Word circulated that the state adoption of the federal code would "cost" Florida upwards of \$272 million, largely due to the accelerated depreciation allowance provided for in the federal Act. This one-time, 30 percent depreciation deduction for certain investments would reduce the corporate income tax liability for corporations wishing to avail themselves of this accelerated schedule.

- The accelerated depreciation schedule is just that, accelerated. It is not a reduction in the depreciation schedule rate. While \$272 million may be "lost" to the state coffers in the short-term, those monies will be paid in to the state in the long-term, in full, with the lower depreciation schedule in the out years.
- Corporate expansion and investment will remain taxable by local school boards based on local ad valorem taxes. Education is not being "sacrificed" for "big business."
- The alternative to piggybacking the federal code would be to "de-couple" Florida from the federal tax code, costing Florida's employers millions of dollars in additional accounting costs associated with keeping two sets of "books."
- Just as Florida accelerated spending on state transportation projects to boost the economy in December of 2001, this provision accelerates private spending for the same reason.

The bill came out of the committee by a narrow vote today and it is unlikely how the bill, at this point, will fare on the Senate floor. While the Democrats are inclined to beat up the Governor on this issue, proclaiming that every dollar in the tax break is one less dollar for “our children” and education, it is almost unbelievably true that some Republicans are wavering, as well. Republicans are supposed to “get” this kind of issue, where it is obvious that economic prosperity is the engine for all the goods and services we expect from the state government. The Democrats, it should be remembered, opposed Governor Bush every step of the way in the adoption of his A+ Education plan, which provided for some actual accountability, responsibility and standards within the education establishment. So the Democrats have gotten themselves in the position of always demanding ever more dollars for education without wanting to know what a “first class education system” would cost. Lost in all this are the bare facts that the piggyback bill will provide an increase in revenues in the long term and that education can be funded more than adequately when treated as a top priority within the budget, as it deserves.

**AIF supports the adoption of legislation that would piggyback the federal corporate income tax code and provide Florida’s employers with a critical relief in a fiercely competitive international marketplace. In addition, de-coupling Florida from the federal code would be a punitive act on Florida’s businesses, forcing our employers to keep two separate sets of books with all the attendant accounting costs.**

### **HEALTH CARE REFORM**

The Senate introduced, outside the Governor’s “call” (or agenda), SB 46E which is a giant bill written to embrace all the major health care bills left hanging at the end of the Regular Session. It is a combination of the good, the bad and the ugly. The bad and ugly out weighs the good by too much, at this point. The bill contains the proposed “health insurance flex plans” legislation which AIF applauded and supported as an innovative plan to reduce the uninsured. In addition, the bill contains the “prompt pay” legislation, which, in its original form was a punitive attack on HMOs, but since has been largely neutralized. The bill also contains the ridiculous amendment to the Physician’s Self-Referral Act, prohibiting renal dialysis clinics from “self-referring” for its lab blood work. This is a bill pushed by one health care provider that is losing in the marketplace to kidney dialysis providers providing this kind of “in house” lab work. Finally the bill contains language prohibiting optometrists from being designated by HMOs as qualified “follow-up” physicians following eye surgery. The language proposed suggests that only ophthalmologists should do the follow up exams. This is another “market share” health care provider battle that has no basis in rationale health policy and one that would be a tremendous burden on patients who reside in rural areas. Given the offensiveness of the kidney dialysis provisions, the irrelevance of the prompt pay provisions and the silliness of the eye doctor issue, this is hardly a good trade off for the health flex plan provisions.

The Senate decided today that it would approach the issue only if the House chooses to do the same rather than, “waste our time.”

**While AIF supported the Health Flex Plan legislation at the end of session, this “health care train” brings too much terrible policy with it to justify this lone proposal.**

### **CABINET REORGANIZATION**

The House and Senate continue to argue over what should comprise the duties and responsibilities of the newly created Cabinet position of Chief Financial Officer. This office goes into effect on January 7, 2003.

As we have previously reported, the House position is that the CFO should absorb the Constitutional, fiscal duties currently managed by the State Comptroller and State Treasurer. The regulatory oversight of the banking, securities and insurance industries should be housed in a separate department under the supervision of independent, appointed commissioners. The Senate continues to hold that the CFO should have direct, regulatory oversight of these industries in addition to the fiscal oversight and management of the state's finances. While that is arguably a simplistic overview of an issue that has generated dozens of charts and hundreds of pages in proposed statutes, that is the gist of the disagreement between the two houses. AIF continues to hold to the House position as the one best representing "good government" and the one that is consistent with Florida's historic practice of governance.

Unfortunately, while great efforts have been made by Representative J. D. Alexander (R-Winter Haven) to craft a proposal that embraces both the concerns of the House and Senate, the Senate leadership has been unwilling to move or negotiate on this issue.

There is a very real possibility that this issue will remain unresolved until the November "organizational session" when new Senate leadership will be in place less willing to play political games with an issue of great importance to Florida's sound and credible governance.

**AIF supports the House position on the establishment of the duties and responsibilities of the new Chief Financial Officer (CFO). This office should not enjoy the additional duties of chief regulator of the banking, financial services and insurance industries. Not only would this be burdensome, it would expand this office to embrace both political and policy powers arguably exceeding that of the Governor.**

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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