

ASSOCIATED INDUSTRIES OF FLORIDA
**LEGISLATIVE
DAILY BRIEF**



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**FROM SPECIAL SESSION 'E'
FOR MAY 13, 2002**

BUDGET DEAL DONE

Our freedom, our liberty and our wallets won a reprieve today. The Florida Legislature finished its work and left town. This concludes Special Session 'E.'

As expected, the House and Senate concurred on the Budget Conference Committee report and adopted the new budget for the 2002-03 fiscal year. The budget totals just over \$50 billion in spending and reflects a remarkable "bounce back" for the Florida economy from the weeks and months following the attacks on the United States on September 11, 2001. Representative Rob Wallace (R-Tampa) made an unusual remark today, thanking Florida's working families and businesses for the tax dollars they sent to the State. It was refreshing to actually see a Legislator at the conclusion of a budget debate remember where all this money comes from. Representative Rob Wallace is term-limited and will be leaving the Legislature in November. A quiet but relentless lion in defense of free enterprise, Representative Rob Wallace will be missed.

JOB CREATION AND WORKER ASSISTANCE ACT OF 2002 & ACCELERATED DEPRECIATION

The Florida House finally gave final approval to HB 18E by Representative Rob Wallace (R-Tampa) which provides that Florida's corporate income tax law "piggyback" the federal corporate income tax code. The bill is now on its way to the Governor for his signature.

As we have previously reported, at issue in the bill is whether or not the State of Florida should "piggyback" the federal corporate income tax code. The annual legislation was sidetracked during the Regular Session when the Senate surmised that the "piggyback" of the federal tax code would delay state corporate income tax revenues for this fiscal year. 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.

This accelerated depreciation schedule would delay the state's revenues, for the 2002-03 fiscal year, by an estimated \$272 million. This number is questionable since corporations would be motivated to expand their operations, which would increase employment and increase sales tax collections based upon the actual purchases of equipment and machinery. And, of course, Florida will get its corporate income tax dollars in the "out years" since the schedule is only being accelerated and not lowered. In other words, in the long-term, the accelerated depreciation will not "cost" Florida government a dime.

Prior to the call of this special session, the Governor, the Florida House and Florida's business community heavily lobbied the Florida Senate, advocating that the Florida dovetail with the federal code and allow Florida's corporations and working citizens to benefit from this economic stimulus. Gratefully, the Senate agreed to take the issue up and adopt it during this Special Session.

Florida's corporations provide jobs both for their employees and for all the other businesses that provide these corporations with necessary services and support. It is a growing and prosperous Florida economy that propels the spending for education and all those other government services that we are obligated to provide. Nay-sayers who opine that this is a "break for big business" ignore the simple fact that big business and all of Florida's employers, large and small, daily take the risks, invest the money, work hard and employ others insuring that tax revenues will be provided now and in the future. AIF supports the adoption of this important economic stimulus provision.

CONSTITUTIONAL AMENDMENTS & FISCAL IMPACT STATEMENT

The Florida House took up HB 65E by Representatives Dudley Goodlette (R-Naples) and Joe Pickens (R-Palatka) and passed it by a vote of 73 Yeas to 41 Nays. The Senate had previously taken up this bill last week and passed it. The bill is now on its way to the Governor. This bill requires that a proposed amendment to the Florida Constitution, appearing on a Florida ballot, be accompanied by a fiscal impact statement estimating the costs of amendment, if adopted.

The impetus for this bill is two-pronged. First, in 2000, the voters approved an amendment to the Florida Constitution requiring the establishment of a High Speed Rail System. To this day, estimates vary *in the billions* on how much it would cost the State to put the rail system into service. The Governor and Legislature have been wrestling with how to fund this mandate ever since the amendment's adoption. Secondly, there is now an additional petition drive proposing an amendment to the Florida Constitution regarding "class room sizes." In other words, the amendment seeks to limit classroom crowding by Constitutional mandate. Would-be voters are signing the petitions to get the amendment on the ballot. The Legislature is nervously watching yet another possible Constitutional mandate peer over the horizon with the potential for a tremendous impact on the State's finances.

The legislation mandates that the Revenue Estimating Conference calculate and write a fiscal impact statement to appear on the ballot, letting people know what the amendment to the Constitution may cost. The bill was amended by the Senate requiring that the State Attorney General must petition the Supreme Court to insure that the Revenue Estimating Conference's statement does not exceed the statutory mandate.

AIF had no position on this legislation. Without some notion of what a proposed amendment may cost, the voting public can blindly approve language to the Constitution that, in the long run, could do great harm to other priorities the voters hold important. The Governor of Florida and the Florida Legislature base their annual budget negotiations on the considered estimates of the Revenue Estimating Conference. The Conference's ability to forecast economic activity and state revenues has been uncannily accurate over the years. If the Florida Legislature, with so much at stake, can trust the Conference to provide them with the numbers necessary to calculate a State budget, surely the Conference is equally up to the task of providing Florida's voters with some idea of what a proposed amendment to the Constitution might cost.

SENATE PRESIDENT REFUSES TO HEAR SALES TAX HOLIDAY BILL

The House passed legislation continuing the very popular "sales tax holiday" week by a vote of 93 yeas to 20 Nays. The bill, by Representative Bev Kilmer (R-Marianna), was added to the House calendar at the last minute this morning. Representative Jerry Melvin (R-Ft. Walton Beach) sought to allay the concerns of some members regarding a "tight" budget, by winning the adoption of an amendment that stipulated the Revenue Estimating Conference "double check" and make sure the funds were available for the sales tax holiday in both June and October. To work in the Revenue Estimating Conference's input, the amendment pushed back the sales tax holiday to October 26 through November 3 as opposed to the typical "back to school" dates in August. The House promptly sent the bill down to the Senate.

Senator Anna Cowin (R-Leesburg) claimed to have the signature of 27 Senators who wished to bring this House product up on the Senate floor for debate late this afternoon. However, Senate President John McKay (R-Bradenton) took no refuge in Representative Jerry Melvin's amendment to protect the budget, and refused to bring the bill to the floor.

AIF is disappointed Senate President John McKay ignored the majority wishes of his fellow Senators. The legislation and the policy of the "sales tax holiday" have been wildly popular among working folks and a boon to our state's retail establishments.

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.