

ASSOCIATED INDUSTRIES OF FLORIDA
**LEGISLATIVE
WEEKLY UPDATE**



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Interim Weekly Report

TAXATION

The Senate Government Efficiency Appropriations Committee met on Thursday, January 27th and passed SB 56 relating to Streamlined Sales & Use Tax by Senator Walter "Skip" Campbell (D-Tamarac) with a vote of 4 to 2. Senator Alex Diaz de la Portilla (R-Miami) and Senator Mike Haridopolos (R-Melbourne) voted against the bill with Senator Jeff Atwater (R-North Palm Beach), Senator Skip Campbell, Senator Steve Geller (D-Hallandale Beach) and Senator Bill Posey (R-Rockledge) voting in favor of the bill.

SB 56 will bring Florida into compliance with the provisions of the Streamline Sales and Use Tax Agreement and enable Florida to petition for membership in the Agreement.

Why does Florida need to be a part of the Agreement? Florida loses a tremendous amount of revenue each year by residents purchasing goods out of state and not paying sales tax. Florida relies heavily on its sales and use tax. In 2003-2004, 72% of the General Revenue funds were from sales and use tax. Sales tax is imposed at the time of purchase; use tax requires residents who purchase goods in another state to pay the amount of sales tax charged in their home state. By participating in the agreement, Florida and other states will have uniform definitions within tax laws; rate simplification; state administration of all state and local taxes; uniform sourcing rules; simplified exemptions; uniform audit procedures; and state funding of the system.

All 45 states that impose sales and use tax and the District of Columbia are involved with the project and have had their legislative bodies enact enabling legislation.

The Streamline Sales and Use Tax Agreement should improve Florida's sales and use tax by reducing the costs of collecting and remitting state and local sales and use taxes and increasing out of state collections.

This issue is important to the business community because without the passage of SB 56, Florida will not be able to participate in the Agreement and will continue to suffer to loss of tax dollars and give out of state businesses a competitive advantage over Florida companies.

SB 56 will be heard next by the Senate Commerce and Consumer Services Committee.

Also on Thursday, January 27th the House Finance and Tax Committee unanimously passed HB 49 relating to Substitute Communications Tax by Representative John Stargel (R-Lakeland). This bill would repeal the substitute communication systems tax from current law. This tax was part of a telecommunication bill passed in 1985. It was designed to provide an equal tax treatment on an in-house telephone system and telephone service purchased from a commercial provider. However, times have changed and so has the telecommunications industry. Taxing substitutes is generally viewed as a tax fairness issue rather than simply a way to raise additional revenue.

But now it looks as though the substitute communication systems tax could be viewed as a way to generate additional funds. As it stands in current law, the Department of Revenue is having problems trying to implement it because they believe it could include systems such as intercom systems; computers that are connected to a central router that allows the computers to share printers, files and documents, and other business related activities; two-way mobile radio systems - wireless dispatch systems; and a system that transmits, routes and switches data to permit monitoring the activities and operations of manufacturing equipment, pipelines, rail systems or utilities.

It is important for the Florida Legislature to pass this legislation and eliminate this tax. Businesses in the state could end up paying thousands of dollars each year in additional taxes if the substitute communication systems tax is not repealed!

HB 49 will be heard next by the House Utilities and Telecommunications Committee.

ARTICLE V FUNDING

There were two Senate committees that heard budget reports concerning court funding this week. This is particularly crucial to the business community because of the volume of litigation in which businesses in Florida are engaged.

Mr. Randy Ball, the Public Safety Coordinator from the Governor's Office of Budget presented the Governor's Legislative Budget Recommendations for Fiscal Year 2005-05 for the state courts system to the Senate Justice Appropriations Committee on Thursday, January 27th. The Governor's recommendations for the state courts systems comprise \$399 million dollars of the total budget; this is a \$3.3 million dollar increase over last year's budget. The Governor has recommended that the Legislature fund 110 judges (2 DCA judges, 67 circuit court judges, and 41 county court judges); 8 additional hearing officers; and \$2.5 million dollars for repair and maintenance of the Supreme Court Building.

Senators Nancy Argenziano (R- Spring Hill) and Senator Rod Smith (D-Alachua) expressed concern that the Governor's budget does not allocate any funds for additional state attorneys or public defenders. Senator Smith asked if the Governor was aware that the creation of new judgeships would result in a need for additional state attorneys and public defenders. Mr. Ball explained that the Governor believes that the current number of state attorneys and public defenders will be able to handle any increased case load.

Senator Smith asked why the Governor's budget does not include any monies for due process programs (such as court reporting, court interpreting, expert witnesses, jury operations, etc.); Mr. Ball indicated that he would have to get back to Senator Smith on this topic. Additionally, Senator Smith asked why there was no funding for support staff for the additional judges.

Senator Victor Crist (R-Tampa) noted that the state attorney, public defender, and support staff issues would have to be further discussed. Senator Crist expressed that the committee needed to look at the total cost of adequately funding the number of judges certified and determine whether it wants to fully fund the certifications and worry about staff later or if the committee would rather fully fund a lesser number of judges. Senator Crist further stated that this issue needed to be brought to the attention of leadership.

In addition to this budget meeting, the Senate Judiciary Committee heard a presentation on the Article V Technology Report from Judge Charles Francis of the 2nd Judicial Circuit and chair of the Article V Technology Board on Wednesday, January 26th. This Board was created within the Trial Court Budget Commission at the requests of many judges who never had enough information to fully decide a case. For example, in credit and bankruptcy proceedings, the judges never have available information to confirm the existence of child support liens and orders from other jurisdictions when parties claim that is the reason they can not pay their debts.

According to the Board, they could not find any significant policy reason for all collected information to be unavailable. Therefore, they initially attempted creation of the Judicial Information System (JIS) browser to pull all data from various state agencies together. However, among the necessary state agencies they found out there are over 150 software applications running these databases, and less than 20% have interactive capabilities. At this point, the Board is still conducting meetings with both technical and policy people to determine what data is available for collection and sharing, and what technological impediments exist to bringing this information to one source for the judiciary. Some of the Board's work was delayed during the recent hurricanes, since many of the Board members are sheriffs and judges and had additional duties during those times of crisis. However, the Board is expected to complete its work and have additional recommendations on developing this technology program in the next few months.

WORKERS' COMPENSATION

On Tuesday, January 25th the House Insurance Committee met and heard presentations related to the Workers' Compensation Joint Underwriting Association (WCJUA) and a report on fraudulent activities by professional employment agencies (PEO).

The WCJUA chairman, Ray Neff, and executive director, Laura Torrance, both addressed the committee and provided recommendations for additional legislative changes they believe could help the JUA perform more efficiently.

- 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://fbnnet.com>
- Send us your E-mail address and we will begin to send this report to you automatically via E-mail.