



DAILY LEGISLATIVE BRIEF FROM MARCH 20, 2008

The business community was once again united this afternoon as the House Government Efficiency & Accountability Council considered legislation that would bring about combined reporting for corporations doing businesses in Florida. AIF was instrumental in helping to kill this anti-business bill. Tonight's report includes a complete re-cap of what occurred during the committee meeting.

Unitary Tax

The House Government Efficiency & Accountability Council defeated HB 1237 Relating to Corporate Income Tax by House Minority Leader Representative Dan Gelber (D-Miami). According to the sponsor this legislation would "close existing corporate tax loopholes" and could potentially bring approximately \$365 million dollars a year in new revenues to the state. Essentially, the bill would mandate "combined" reporting, which would require all corporations that are members of a newly defined "water's edge group" to file a tax return combining income from subsidiaries outside the state of Florida and then apportioning the combined income to Florida based upon a statutory formula.

Under current Florida law, corporations operating both in Florida and in other parts of the United States pay taxes depending on the portion of their total sales, payroll, and property located in Florida, as opposed to those portions located in all states. Corporations which are members of federally defined affiliated groups have the choice of filing as a separate entity or as a consolidated group. Florida exempts "foreign source income" from its corporate income tax. Income, such as dividends, paid to a corporation operating in Florida by subsidiaries located in foreign countries is not included in the calculation of Florida income.

This is not Florida's first experience with this proposal. When the unitary tax was first enacted, Florida corporations were told it was a fairer share of state corporate income taxes. Instead, major multi-state companies left Florida including IBM and Sony. It was such a bad idea, Florida repealed it in 1984. Representative Gelber is once again touting this idea as a way to "level the playing field" for those Florida-based businesses that must compete with large corporations with a nation-wide footprint.

Debate among committee members was spirited and mostly along party lines. Democratic members voiced strong support for the proposal stating that "closing these tax loopholes" would help Florida-based businesses compete with their larger "chain" counterparts and bring about much needed revenue for the state at a time when dollars are scarce. According to the bill, \$100 million dollars from the "new" revenue that would be collected if this proposal passed would go to higher education funding. The rest would go to offset property taxes. T.K. Wetherell, current president of Florida State University and former Speaker of the House, testified in support of the proposal citing the tough economic times colleges and universities in Florida were facing.

A representative from the Council on State Taxation (COST), a national organization that advocates to preserve and promote equitable and nondiscriminatory state and local taxation of multi-jurisdictional business entities, testified in opposition to the bill citing several examples from states that either tried or considered implementing combined reporting – but ultimately abandoned the idea because of the unintended consequences.

Kurt Wenner, on behalf of Florida TaxWatch, urged caution from the committee members. He further explained that states that currently use combined reporting also have implemented other tax policy changes including reducing the corporate tax rate.

A number of representatives from the business community, including AIF, were on hand to speak in opposition to this bad bill, but because of time restraints and upon the Chair's direction no testimony was taken.

Representative Robert Schenck (R-Springhill) made an excellent point during debate, stating that the only winner in this deal would be government and "their insatiable appetite for more tax dollars" and that the consumer would be the ultimate loser. Representative Julio Robaina (R-Miami) shared that as a union member his concern was the potential loss of jobs that could take place if Florida were to adopt this change in tax policy. Representative Michael Grant (R-Port Charlotte) pointed out that only a very small number of companies actually pay corporate income taxes, since most small businesses are incorporated as S-Corporations or Limited Liability Companies and are thus exempt from corporate income tax.

Ultimately, the bill died in committee and will no longer be considered in the House this session. Its Senate companion, SB 2766 by Senator Ted Deutch (R-Delray Beach) has not been heard in committee.

AIF opposes any legislation that would bring about “combined reporting” or establish a “unitary tax” in Florida. Taxing our way out of a recession is not feasible and this type of legislation sends a terrible message to companies and investors looking to invest in our state. Florida tried this approach once before and it was a disaster, costing the state thousands of jobs.

Space

Today, the House Economic Development Committee heard and passed HB 1373 Relating to Qualified Defense Contractor Tax Refund Program by State Representative Thad Altman (R-Melbourne). HB 1373 expands the successful qualified defense contractor tax refund program to allow for space flight businesses, or entities with space flight contracts, to now qualify for these tax refunds.

Associated Industries of Florida is a proud supporter of the space program in Florida. Along with our friends at Space Florida and Enterprise Florida, Associated Industries of Florida has made the expansion and commercialization of the space industry in Florida a major economic priority. HB 1373 is one of several key legislative priorities this session that will continue to make Florida the leader in space related business and activity in the world.

Specifically, HB 1373 would provide:

- Qualified applicants will receive \$3,000 per job;
- Projects in rural counties or enterprise zones will qualify for \$6,000 per job;
- An additional \$1,000 per job bonus is available when jobs pay 150 percent of the average private sector wage in the area; and
- An additional \$2,000 per job bonus is available when jobs pay 200 percent of the average private sector wage in the area.

HB 1373 passed the committee unanimously and next moves to the House Economic Expansion and Infrastructure Council.

AIF supports adding space flight businesses to the Qualified Defense Contract Tax Refund Program. The incentives included in this successful program should go a long way in helping Florida maintain and attract commercial space industries.

Insurance

The House Insurance Committee unanimously passed HB 1001 Relating to Commercial Property Insurance by Representative Garrett Richter (R-Naples). The bill authorizes a new commercial property insurance policy of which premiums will not be subject to assessments to fund any future Citizens deficits. The policy must include coverage for all hazards, including hurricanes, and will not be subject to the state’s rate regulation. Thus, the bill provides a commercial purchaser with the option of buying a non-assessable policy at a potentially higher cost, which is the trade off.

While AIF supports eliminating commercial policies from Citizens assessments, we are concerned that an optional approach will shift assessments to commercial policy holders who do not choose the non-assessable option and homeowners.

HB 1001 will now be considered by the House Jobs & Entrepreneurship Council

AIF supports measures which would return Citizens Property Insurance Corporation to an insurer of last resort, and; therefore, help encourage the growth and sustainability of the private insurance market.

Education & Workforce Development

Today, the Senate Education K-12 Appropriations Committee unanimously passed two bills supported by AIF.

SB 1906 Relating to Alternative Credit High School Courses by Senator Don Gaetz (R-Ft. Walton Beach) creates a pilot project to provide opportunities for high school students enrolled in rigorous career academies to simultaneously earn core course credits if the student demonstrates mastery of those concepts on an end of course exam.

This is an issue of great interest for the bill’s sponsor Senator Gaetz, who as former superintendent of Okaloosa schools, created the Choices Career Academies which are a model for integrated academics and career preparation.

SB 1906 is scheduled for a vote on the Senate floor next week.

AIF supports career education that is linked the same academic standards as traditional education (reading, writing, math) as well as to industry standards so that students are prepared for both higher education and immediate employment in a high wage high skill job that is in demand in today's economy.

SB 1908 Relating to Designation of High School Grades by Senator Don Gaetz (R-Ft. Walton Beach) enhances Florida's school grading system, by revising high school grading system beginning with the 2009-2010 school year.

The current grading system for high schools is based on the 9th and 10th grade FCAT performance. The new high school grades will include the FCAT performance for 50% of the grade, and the other half will be based on factors such as graduation rates, performance and participation in certain courses, college readiness and end of course exams. As valid data becomes available, the criteria will include performance and participation of students in Advanced Placement (AP) courses; International Baccalaureate (IB) courses; dual enrollment courses; Advanced International Certificate of Education (AICE) courses; and the achievement of industry certification in a career and professional academy.

SB 1908 will now be considered on the floor of the Senate

AIF believes it is important to continue to build on the K-12 accountability system with particular focus on improving the value of a high school diploma. Employers must be able to trust that a high school diploma ensures that a graduate can communicate and operate effectively in the workplace.

Economic Development

The House Economic Development Committee unanimously passed HB 431 Relating to Affordable Housing by Representative Keith Fitzgerald (D-Sarasota) after adopting a strike everything amendment. The bill revises provisions that address assessment of property used for affordable housing, which has received a low-income housing tax credit. The new language sets forth special assessment for determining just valuation of qualifying properties held by community land trusts. The bill also revises the assessment of resale-restricted homes built on community land trust property so that they are not valued as though they were subject to free market purchase and sale prices, thereby reducing the assessment and property tax rate on those properties.

HB 431 will now be considered by the House Economic Expansion & Infrastructure Council.

AIF supports this legislation because it creates sustainable affordable housing for Florida's workforce while correctly addressing the issues created in assessing property taxes.

The committee then unanimously passed HB 699 Relating to Affordable Housing by Representative Gary Aubuchon (R-Cape Coral). Among other things, the legislation appropriates \$75 million from the Local Government Housing Trust Fund to the Florida Housing Finance Corporation to be used in the Homeownership Assistance Program, targeting counties and municipalities that have reduced impact fees at least 25 percent for a period of a year to eighteen months. The bill also targets local governments, which impose no impact fees or waive such fees entirely for homeownership purchases funded from this appropriation.

The bill also allows funds to be used to preserve units that are less deteriorated than those requiring "substantial rehabilitation", thereby allowing funding for preventive maintenance; clarifies the Ad Valorem Exemption for Non-Profit Housing Property and bond allocation process as well as creates the Florida Public Housing Preservation Grant program.

The cumulative and far reaching effects of this bill improve Florida's affordable housing stock and encourages local governmental to promote development of affordable housing by waiver of impact fees. The bill also provides a significant source of funding in a tight budget year.

HB 699 will now be considered by the Economic Expansion & Infrastructure Council.

AIF supports this bill as it directly provides a mechanism to lower housing costs for Florida's citizens. The issue of funding affordable housing is part of AIF and the business community's Economic Stimulus Package. Spending dollars on housing is directly tied to increases in state revenue

Health Care

This morning, SB 1022 Relating to Health Flex Plans by Senator Durell Peaden (R-Pensacola) was unanimously passed by the Senate Health and Human Services Appropriations Committee.

The Health Flex Plan Program was established to offer basic affordable health care services to low-income, uninsured residents. The bill expands the population eligible to purchase Health Flex plans by raising the income limit from 200 to 300 percent of the federal poverty level. This will hopefully offer businesses and employees another choice for health care in the state.

SB 1022 will now head to the Senate floor for its second reading.

AIF supports market-based solutions to the problem of Florida's uninsured. These individuals typically rely on emergency rooms for their primary care. Unfortunately, this kind of care is the most expensive option. Expanding access for low-income employees to health flex plans is sound public policy.

Ethics & Elections

The House Ethics & Elections Committee unanimously passed HB 903 Relating to Registration of Paid Petition Gatherers by Representative Chris Dorworth (R-Heathrow). The bill attempts to increase the level of accountability of paid petition gatherers by establishing a registration system for these individuals. Currently, there is no way of keeping track or even finding paid petition gatherers should any allegation or wrong-doing or fraud be made. Several states including California currently require that paid petition gatherers register with the Secretary of State (SOS). The provisions in the bill would not apply to volunteer petition gatherers.

The bill:

- Prohibits a paid petition circulator from collecting petitions in Florida without first registering with the Department of State.
- Prohibits anyone from paying a petition circulator who is not registered with the Department of State.
- Prohibits registrants from circulating petition forms until the forms have been registered with the Department of State.

In order to be a registered paid petition gatherer, the individual must be:

- A citizen of the United States;
- A legal resident of the state of Florida; and
- Not a convicted felon ineligible to register to vote.

Representatives from the SOS expressed some concern with the cost and implementation of the registration process, but they do not oppose the bill's intent. The bill allows the SOS to impose a fee for registration that could potentially cover the costs.

John French, on behalf of AIF, provided some great background testimony on the mercenary nature of paid petition gatherers and the breakdown in accountability that occurs when big national signature gathering firms contract out their petition gathering to smaller sub-contractors.

AIF supports legislation that would bring about increased accountability for paid petition signature gatherers through a registration process.