



# DAILY BRIEF

**From April 6, 2011**

A number of tax incentives were passed out of the House of Representatives today that are of great importance to AIF and the business community. Legislation to provide for the optional Single Sales Factor for apportioning corporate income tax, tax credits and refunds for Florida's aerospace companies, and a bill authorizing a "sales tax holiday" were all passed today with near unanimous support. AIF commends the Florida House for recognizing the benefit that these incentives will have on Florida's future growth and development. We expect to see many of these proposals subsequently passed out of the Senate in the coming weeks.

The Senate concentrated its energy on a great deal of divisive and highly controversial measures. The comprehensive reform package to address Florida's Medicaid system advanced to its final committee of reference, but not without partisan opposition. Despite the careful consideration and deliberation by the bill's sponsor, Senator Joe Negron (R-Palm City), SB 1972 was met with great opposition. "its about empowerment", he explained. "If a Medicaid recipient is able to find a product that better suits his or her needs, they are empowered to take the amount of assistance they would have received from Medicaid and use it to purchase another product."

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## **Health Care**

Today, the Senate Health and Human Services Appropriations Committee approved legislation that will substantially change the state's Medicaid program - SB 1972 by Senator Joe Negron (R-Palm City). Testimony came mainly from various advocate groups who oppose moving Medicaid patients into a more integrated care process.

Chair Negron commended the members of the committee for tackling this extremely difficult issue. He said that this proposal is much kinder than those that have been advanced in other states. Specifically, he named New York's program which recently reduced their Medicaid budget by \$5 billion and California which limited the number of physician visits allowed.

He further noted that the state currently spends \$21 billion on its Medicaid program which is far less than the amount spent on other areas of the budget such as transportation, public safety and education. As a result, the time has come for the program to be transformed into a more patient centered program. Furthermore, Senator Negron explained that individuals are empowered to make choices. Specifically, if a Medicaid recipient is able to find a product that better suits his or her needs, they are empowered to take the amount of assistance they would have received from Medicaid and use it to purchase another product.

In the end, only two members voted against SB 1972 - Senators Nan Rich (D-Sunrise) and Eleanor Sobel (D-Miami).

SB 1972 will now move to the Senate Budget Committee. The House Medicaid proposal passed the full House last week but has not yet been sent to the Senate. It is expected that a conference committee may be appointed to hash out a compromise between the two plans.

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## **Education**

Today, as House and Senate members were considering budget-related legislation, both chambers considered provisions that will advance digital learning in the two education conforming bills. The provisions in the House conforming bill – HB 5101 by Representative Marti Coley (R-Marianna) – would require districts to spend the difference between the amount spent on virtual education and the amount of student funding generated to purchase technology. Further, the bill would replace the word "textbook" with the term "instructional material" to allow for multiple delivery options, require electronic materials for use in classrooms and require districts to use 50% of the instructional materials categorical for the purchase of digital materials by the 2012-13 school year.

By contrast, the Senate conforming bill – SB 2120 by Senator Davis Simmons (R-Altamonte Springs) – would allow districts to designate a pilot school for transitioning to digital instructional materials and provide exemptions from certain laws restricting how instructional materials funding may be used. Both conforming bills also contain measures to give districts more flexibility in administering the constitutionally mandated class size requirements.

Both budget bills are positioned for final passage in each of their respective chambers tomorrow. The differences will be addressed during the upcoming budget conference.

**AIF supports the increased move to digital learning so students are prepared to compete in the global digital economy.**

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## **Taxation**

Today, the full House passed HB 7203 Relating to Economic Development by the House Finance and Tax Chairman Steve Precourt (R-Orlando). Chair Precourt explained the provisions of the bill which included the repeal of section 221 Florida Statutes. As a tremendous burden for Florida corporate income tax payers, this tax brings the state less than \$50,000 in revenue annually. The bill also creates an optional mechanism for eligible corporations to use single sales factor apportionment (SSFA) to calculate Florida income for Florida income tax purposes. To qualify as eligible, the taxpayer must notify the Office of Tourism, Trade, and Economic Development (OTTED) of its intent to submit an application and commence a 2-year period for measuring qualified capital expenditures of at least \$250 million.

Although HB 7203 was to be read a second time today, the House waived the rules and passed the bills unanimously. The bill was immediately certified to the Senate for consideration by its members.

**AIF SUPPORTS a voluntary Single Sales Factor (SSF) option in apportioning corporate income tax in Florida. By offering a positive change to the state's corporate income tax policy, companies are encouraged to relocate and conduct business in Florida. Further, AIF commends Chairman Precourt for his efforts to modernize Florida's tax code by repealing Chapter 221.**

Today, the Senate Budget Subcommittee on Finance & Tax unanimously passed SB 582 Relating to Local Business Taxes by Senator Nancy Detert (R-Venice).

This bill aims to reduce the tax burden Florida employers are currently facing as a result of local ordinances that require employees to pay local business taxes if their employer is already paying local businesses taxes to operate a business. The bill prohibits local governments from imposing a "local business tax" for professions regulated by the Department of Business and Professional Regulation (DBPR) without the local government verifying that the person has satisfied the DBPR qualification requirements.

Furthermore, the bill clearly specifies that an individual who engages in or manages a business, profession, or occupation as an employee of another person is not required to pay a local business tax, obtain a local business tax receipt, or apply for an exemption from a local business tax.

SB 582 will now move on to the Senate Budget Committee. The House companion, HB 311 by Representative Ken Roberson (R-Port Charlotte), is in the House Economic Affairs.

**AIF SUPPORTS legislation that eliminates the requirement for certain employees to pay a "local business tax" if their employer is already paying a similar tax. This legislation will reduce the tax burden on employees across Florida and create a more business-friendly environment at a time when Florida's economy needs it the most.**

Today, the full House of Representatives considered and passed HB 733 Relating to Tax on Sales, Use, and Other Transactions by Representative Elizabeth Porter (R-Lake City). Known as the annual "Sales Tax Holiday", this bill will simply allow consumers to purchase tax-exempt goods between August 12th and August 14th, 2011. Items free from sales tax in the bill cover clothing, text books and other school supplies. The bill passed without opposition or debate.

HB 733 was immediately certified and sent to the Senate for consideration. The Senate measure, SB 508 by Senator Elyn Bogdanoff (R-Ft. Lauderdale), has yet to be considered by the Senate Education Pre-K - 12 Committee.

**AIF SUPPORTS increasing business activity by allowing Floridians to purchase essential school supplies and other necessities without paying sales tax.**

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## Space

The House of Representatives waived the rules today to take up and immediately pass two space-related bills. The first was HB 873 Relating to Corporate Tax Credits for Spaceflight Projects by Representative Steve Crisafulli (R-Merritt Island).

The retirement of the Space Shuttle later this year, and the cancellation of its successor Constellation program, is projected to leave in its wake the loss of as many as 9,000 Florida jobs directly associated with the program. HB 873 creates two corporate income tax credits (transferable and non-transferable) for certified spaceflight businesses that meet specified job-creation and investment levels. These incentives are:

- A non-transferable tax credit equal to 50 percent of the net corporate income tax liability in a given tax year. Total tax credits available will be capped at \$10 million per state fiscal year, with individual businesses eligible for a maximum \$1 million each year.
- A transferable corporate income tax credit based on a certified spaceflight business' net operating losses, and which can be sold to any other Florida corporate income taxpayer. Total tax credits available will be \$25 million per state fiscal year, with individual businesses eligible for a maximum \$2.5 million each year.

Members unanimously passed the bill without debate or opposition.

HB 873 was passed by a vote of 118-1. The bill was immediately certified and sent to the Senate for consideration by its members. The Senate measure, SB 1224 by Senator Thad Altman (R-Melbourne), is now in the Senate Budget Committee.

**AIF SUPPORTS legislation that will provide much needed assistance to Florida's ailing space industry. Furthermore, AIF commends Representative Crisafulli for his continued leadership and support of aerospace commerce in the House of Representatives.**

The second bill considered on the floor today HB 143 Relating to Tax Credits by Representative Ritch Workman (R-Melbourne). This bill authorizes an aerospace-sector jobs tax credit and tuition reimbursement tax credit against state corporate income taxes. The intent of the bill is to encourage both the creation of aerospace jobs and the increased availability of higher education and training to existing aerospace industry employees.

HB 143 was also certified immediately and sent to the Senate. The Senate proposal, SB 790 by Senator Thad Altman (R-Melbourne), has yet to be heard by the Senate Commerce & Tourism Committee.

**AIF SUPPORTS legislation that will create jobs within the aerospace sector, while maintaining those currently in existence. With the Space Shuttle program nearing its end, failing to act would have drastic consequences for the space industry in the state and associated jobs in those businesses.**

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## **Environmental**

Today, the House of Representatives unanimously approved HB 641 Relating to Contaminated Site Rehabilitation Tax Credit by Representative Debbie Mayfield (R- Vero Beach). The original legislation increases the total amount of the Voluntary Cleanup Tax Credit Program (VCTC) cap from \$2 million to \$4 million annually; however, there was amendment adopted along the committee process that increased the amount of the cap to \$5 million.

The VCTC can be applied toward corporate income taxes and helps with the cleanup of Brownfield sites so that they can be redeveloped or reused. The tax credit program continues to be a strong incentive for voluntary cleanup of contaminated sites in Florida. With a greater number of sites that are cleaned up and eligible for use, the more property that goes back on the tax rolls.

HB 641 was immediately certified to be sent to the Senate Chamber. The Senate proposal, SB 842 by Senator Jack Latvala (R-St. Petersburg), is now in the Senate Budget Committee.

**AIF SUPPORTS increasing the current \$2 million general revenue appropriation to \$5 million for applicable tax credits for Brownfield site cleanup.**

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## **Pension Reform**

The House and Senate each took up their respective pension bills today on second reading. Neither bill affects current employees; however any new hires on or after July 1, 2001, would be subject to the revisions in both bills.

HB 1405 by Representative Ritch Workman (R-Melbourne) rolled over to third reading without amendments, as has been the bill's posture since March 24. The primary elements of the House bill include:

- A required three percent contribution by employees of all classes of the Florida Retirement System (FRS) or 401(k) Investment Plan;
- Maintenance of a health care subsidy used by retirees to assist in making health insurance premium payments;
- Maintenance of the *status quo* with regard to the accrual rate for all employees in all classes;
- Closing the Deferred Retirement Option Plan (DROP) to new participants. (DROP allows an employee to retire while continuing employment for up to 60 months, or up to 96 months for certain instructional personnel); and
- An increase in the retirement age and years of service for those initially enrolled on or after July 1, 2001, from age 55 to 60 years of age, and from 25 to 30 years of service for members of the Special Risk Class; and from 62 to 65 years of age, and from 30 to 33 years of service for all other classes, whichever comes first.

SB 2100 by Senate Budget Committee Chairman JD Alexander (R-Lake Wales) was substantially amended to bring the legislation more in line SB 1130, which was passed out of the Senate Governmental Oversight and Accountability Committee following some 16 hours of testimony over about 75 days. Senate members of the Budget Committee in a meeting last week insisted that elements of SB 1130 had to be rolled into Senator Alexander's bill or else they would not support the bill on the Senate floor.

The substantial amendments adopted today on SB 2100 include:

- The return to a tiered system of required employee contribution as follows: two percent of salary for compensation up to and including \$25 thousand; four percent of salary greater than \$25 thousand up to and including \$50 thousand; and six percent of salary for those compensated greater than \$50 thousand;
- The consideration of up to 300 hours of overtime in the calculation of retirement benefits;
- An increase in vesting from 6 to 10 years;
- Compulsory membership in the investment plan for members of the Elected Officers' Class and Senior Management Class;
- Preservation of the DROP program until July 1, 2016;
- Restrictions on certain employees who become reemployed by the state; and
- No contribution requirement for members of the DROP.

Both bills will return on Thursday for final a final vote in the two chambers. HB 1405 and SB 2100 will both be part of the Budget Conference process, which will commence later this month. Both chambers are relying on the savings resulting from the reforms to partly close the nearly \$4 billion projected revenue shortfall. The House bill saves about \$710 million. The Senate bill, before it was amendment today, would have saved about \$1 billion.

**AIF SUPPORTS efforts to bring Florida's pension system more in line with that of the private sector. Florida's taxpayers are shouldering the burden of the growing liability of these state and local government pension plans.**