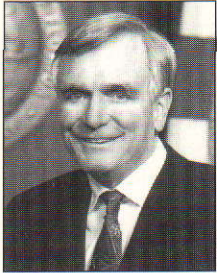


# EMPLOYER ADVOCATE

516 NORTH ADAMS STREET • P.O. BOX 784 • TALLAHASSEE, FL 32302 • PHONE (904) 224-7173 • FAX: (904) 224-6532

VOLUME 1 NUMBER 3 MARCH 1992



## New Taxes

by Florida Governor Lawton Chiles

Back in 1948, there were no fence laws in Florida. Drivers routinely ran into cattle and were bound by law to pay the owner for damage to his livestock. That may sound outrageous, but such laws were fairly common, given the rural makeup of the state.

A lot has changed since then, but Florida's tax structure hasn't changed much at all.

The present system was designed to lure businesses here to develop a wild and unsettled peninsula – not to meet the needs of the nation's fourth largest state. The challenge before us now is to create a tax system that addresses our needs, keeps pace with our growth, and allows us to improve our quality of life.

Naturally, some folks question the wisdom of undertaking major tax reforms during a recession.

The argument has been that industry will suffer and recovery will be slowed. But I challenge any business in Florida – small or major corporation – to show me that any of these taxes will substantially impact their bottom line. Further, economists will tell you that this \$1.3 billion tax reform package in a \$29 billion budget is not of the size nor the coverage to hinder economic recovery.

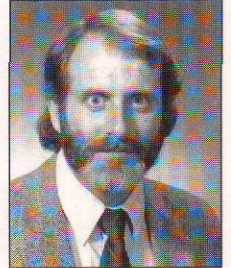
Good business people know that even when times are tough, you have to make investments that are sound and offer good returns. *Capital improvements and maintenance* are essential to survive in the business world.

That's how I look at our budget problems. But instead of thinking only of fixed capital, I think of human capital as well. My concern is humanitarian, but as chief budget officer, it also must be pragmatic. If we don't make the critical investments now, we will face higher costs later.

(See "New Taxes" on page 3)

*New taxes or No taxes. The halls of the Capitol are filled with the battle cries of those who want the money and those who will have to pay the money. AIF is taking the position that now is not the time for higher or new taxes. An added tax burden on business will only entrench the recession we're in.*

*There is no question that current state revenues do not meet expenses. Is it because the tax structure is inadequate or is the money unwisely spent? How that question is answered is crucial to business. That's why we asked both sides to present their arguments.*



## No Taxes

by Randall G. Holcombe  
Professor of Economics, Florida State University

Arguments in favor of increased taxes in Florida fall into two categories. The first is that Florida needs new revenues now to address the current budgetary crisis. The second is that Florida's antiquated tax structure needs to change to keep up with the times. Neither of these arguments holds up when the facts are examined. Florida's existing tax structure will keep up with Florida's income growth for the unforeseeable future. Tax increases are justified only if Florida's citizens want bigger government.

Consider the current budget crisis. As originally passed, the current year's budget was \$29.4 billion. The revenue estimates in the budget proved overly optimistic and the budget has

been cut by about \$1.5 billion, leaving the actual current budget, after cuts, at \$27.9 billion. As I am writing, it appears that the Legislature will send a budget for next year of \$29.7 billion to the governor. This \$29.7 billion represents an increase of more than 6 percent over this year's actual budget. Limiting the state to a 6 percent increase during a recession is what many people are referring to as a crisis.

Taking a longer view, some people argue that Florida's tax structure is inadequate for keeping up with Florida's growth. The facts suggest otherwise. During the 1980's, Florida's taxes grew 7 percent faster than Florida's income. In 1980, Florida raised \$712 per person in taxes, after adjusting for inflation. By 1989, Florida raised \$983 per person. This is a 38 percent increase in tax revenues per person during the 1980's, adjusted for inflation. Florida's taxes have more than kept up with Florida's growth.

The 1980's did see rate increases to produce these revenue

(See "No Taxes" on page 2)

New Taxes

Is.

No Taxes