

2011 W Regular Session rap-up

Sixty-Day Regular Session

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Announcement**



ASSOCIATED INDUSTRIES OF FLORIDA

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Florida Legislature

Bold Reforms for 2011 – Florida’s Pension System and Medicaid Program

Without question, the 2011 legislative session will be remembered for two things: the first year of business-friendly Gov. Rick Scott at the helm, as well as the Legislature’s true commitment to fiscal responsibility. Running on a platform of bold reform, executive and legislative leaders have proven successful in restructuring some of the state’s largest functions. With the state facing a \$4 billion shortfall, AIF’s commitment to reforming Florida’s Retirement System (FRS) and Medicaid program has been accomplished with great success.

Florida Retirement System (FRS)

According to Florida TaxWatch, “Over the past decade, the state has spent more than \$5 billion to maintain the existing retirement system. During this uniquely challenging fiscal time, the need to make significant improvements to the Florida Retirement System (FRS) cannot be ignored.” Florida’s taxpayers are shouldering the burden of the growing liability of these state and local government pension plans. Legislation passed this session will yield about \$1.1 billion in savings to the state, which is about 25 percent of the total savings that the Legislature needed to close a projected revenue shortfall of \$4 billion.

The essential elements of the final reform package, effective July 1, 2011, are:

- *Average Final Compensation*: For employees initially enrolled in the FRS on or after July 1, 2011, benefits will be calculated using the average of the highest eight years of compensation for creditable service.
- *Deferred Retirement Option Program (DROP)*: Maintenance of the DROP with a reduction of earned interest at an accrual rate of 1.3 percent. DROP allows an employee to retire while continuing employment for up to 60 months, or up to 96 months for certain instructional personnel.
- *Pension Plan Vesting*: Employees will vest in 100 percent of the state’s contribution upon completion of eight years of creditable service.
- *Employee Contributions*: A mandatory three percent employee contribution across all class of employees.
- *Cost of Living Adjustments (COLA)*: Maintenance of COLA, but with a five year stay. COLAs would resume on July 1, 2016. This provision does not affect current retirees.

Medicaid

On the final day of the 2011 session, after months of public testimony from the business community, physicians, hospitals and even Medicaid recipients, the Legislature approved a comprehensive reform package for the state’s Medicaid Program. With Florida’s Medicaid program currently consuming over one-third of the budget, lawmakers could no longer ignore the need for reform. Not only is the program expensive to the state, but also to Florida’s employers as their private premiums subsidize the increasing cost of taking care of the state’s neediest citizens. As such, AIF took an active role in encouraging lawmakers to advance an overhaul of the program and support the approved reform package. The House and Senate sought to achieve three goals with this measure; enhance access to services, improve care, and increase the budget predictability with the provision of this program. The major components of this reform package:

- Require Medicaid recipients to enroll in coordinated care plans such as Health Maintenance Organizations (HMOs), Physician Services Networks (PSNs) or other entities by January 2013 with full implementation by October 2014. Managed care has been proven to be more cost efficient than fee-for-service, which is widely used in the current Medicaid Program.
- Require long-term care services to move into a coordinated care system by July 2012, with full implementation by July 2013.
- Require persons with developmental disabilities to move into this new system after 2015.
- Split the state into 11 regions and provide for a procurement process for those entities that wish to provide services within those regions.
- Cap non-economic damages for physicians and hospitals at \$300,000 per claimant and \$200,000 per person for nursing homes.
- Require PSNs, which are currently paid on a fee-for-service basis, to go to a capitated (set fee per patient) system and also require PSNs to adhere to certain solvency requirements by 2014.
- Prohibit persons who are not U.S. citizens from receiving Medicaid benefits, with the exception of emergency situations and pregnant women.

Associated Industries of Florida commends Gov. Scott and the Florida Legislature for the courage to undertake these vitally important reforms to our state government. Florida’s taxpayers are better off today with passage of these proposals.

The 2011 Session At-A-Glance

AIF Successfully **DEFEATED** the Following Attempts to Damage Florida's Legal and Business Climate:

BUSINESS REGULATION

Immigration	HB 7089 by Rep. Snyder SB 2040 by Sen. Judiciary	Would have mandated the verification of employment eligibility using the flawed "E-Verify" system	Died on House Calendar
Firearms	HB 517 by Rep. Dorworth SB 234 by Sen. Evers	This legislation would have legalized the "open-carry" of firearms within Florida's businesses	Amended – No "Open Carry" provisions
HEALTH CARE			
Health Care Mandates	HB 1431 by Rep. Hager SB 100 by Sen. Ring	Would require a licensed physician to screen a minor for autism spectrum disorder	Died in Committee
TAXATION			
Transfer of Tax Liability	Amendment to SB 1384 by Sen. Ring	Would have unfairly granted internet retailers tax exemptions not available to "brick & mortar" businesses	Died on Senate Calendar

As the Voice of Florida's Business, AIF Successfully **ADVOCATED THE PASSAGE** of the Following Bills:

ECONOMIC DEVELOPMENT

Consolidation of Government Agencies	SB 2156 by Sen. Alexander	Consolidates several state agency functions under the newly created Department of Economic Opportunity	PASSED
Film & Digital Media Tax Credits	HB 143 by Rep. Workman	Increases funding for tax credits to be utilized by the film & digital media industry	PASSED
R&D Tax Credits	HB 143 by Rep. Workman	Provides an annual corporate tax credit for qualifying research and development expenses in Florida	PASSED

EDUCATION

Student Success Act	SB 736 by Sen. Wise	Creates an evaluation and compensation system for teachers that focuses on student achievement	PASSED
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ENVIRONMENTAL

Permitting	HB 993 by Rep. Roberson	Shifts the burden for proving environmental harm in permit challenges to challenger, instead of the developer	PASSED
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GROWTH MANAGEMENT

Growth Management	HB 7207 by Rep. Aubuchon	This legislation addresses local government planning efforts, streamlines processes and removes unworkable provisions that delay economic development	PASSED
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HEALTH CARE

Medicaid Reform	HB 7107 by Rep. Schenck	Moves state's Medicaid patients into managed care-type entities	PASSED
Medical Malpractice Reform	HB 479 by Rep. Horner	Discourages fraud associated with medical malpractice claims	PASSED

INSURANCE

Property Insurance	SB 408 by Sen. Richter	Makes numerous changes to address cost drivers in Florida's property insurance market	PASSED
Commercial Insurance De-Reg	HB 99 by Rep. Drake	Adds 5 new commercial insurance products to be exempt from the State's rate filing and prior approval process	PASSED

LEGAL & JUDICIAL

Crashworthiness	SB 142 by Sen. Richter	Allows juries to hear all information relating to a driver's condition in cases where a car's "crashworthiness" is in question	PASSED
Emergency Management	SB 450 by Sen. Bennett	Provides civil immunity to individuals who provide housing, shelter, food or certain other provisions to first responders following a declared disaster	PASSED

SEAPORTS

Seaport Security	HB 283 by Rep. Young	Removes expensive and duplicative security background screening procedures in Florida's ports	PASSED
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SPACE

Liability of Spaceflight Entities	SB 652 by Sen. Simmons	Continues providing immunity to spaceflight companies for injuries or death resulting from inherent risks associated with space flight	PASSED
Aerospace Tax Incentives	HB 143 by Rep. Workman	Allows a certified spaceflight business to apply for a credit equal to 50% of the business's corporate income tax liability	PASSED

TAXATION

Local Business Taxes	HB 311 by Rep. Roberson	Eliminates the requirement for certain employees to pay a "local business tax" if their employer is already paying similar tax	PASSED
Florida Pension Reform	SB 2100 by Sen. Alexander	Implements employee contribution component to public sector pension plans	PASSED
Single Sales Factor/Corporate Income Tax (CIT)	SB 143 by Rep. Workman	Provides for an elective single sales factor for apportioning CIT and increases existing CIT exemption	PASSED

UNEMPLOYMENT COMP

Unemployment Compensation Tax Relief	HB 7005 by Rep. Holder	Revises the tax calculation formula to provide savings to many employers across the state	PASSED
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The Issue ...

Creating a Better Business Environment in Florida

AIF has been working arduously this session to revamp Florida's legal climate and combat proposals that would further burden our state's employers. Governor Rick Scott has repeatedly stated that such reforms are needed to combat unscrupulous trial lawyers and level the playing field in legal disputes. Fortunately, several legal reforms were passed this year that will ensure that business owners don't fall victim to frivolous lawsuits and egregious settlements.

In addition, AIF experienced a major victory this year with the defeat of Arizona-style immigration laws. SB 2040 would have mandated all employers to use the flawed federal E-Verify employee verification system. With the help of a strong coalition of business owners, AIF mounted a successful defense in the face of burdensome mandates.

Crashworthiness

SB 142 by Sen. Garrett Richter (R-Naples) experienced a turbulent ride prior to its passage this session. Despite amendments to alter the bill's intended purpose, AIF was successful in passing this measure with the strongest protections possible for auto manufacturers. Prior to the Legislature's passage of crashworthiness legislation, Florida was the only state in the nation that prohibits the introduction of any evidence relating to the driver's condition at the time of an automobile crash when that driver is suing an auto manufacturer over the "crashworthiness" of the vehicle. Not giving the jury all the details, including a critical piece of information about the driver's condition, is unfair and absurd. Correcting this inequity will now open the door to automotive manufacturing companies that previously had not considered Florida as a base of operation.

Medical Malpractice

HB 479 by Rep. Mike Horner (R-Kissimmee) will go a long way in an effort to curb fraud associated with medical malpractice claims. This legislation will create an "expert witness certificate" that an expert witness who is licensed in another jurisdiction must obtain before testifying in a medical negligence case and further provides for disciplinary action against fraudulent expert witness testimony. Although this legislation was amended in the eleventh hour to remove provisions supported by AIF, the business community supports this bill as a step in the right direction to discourage fraud abuses associated with medical malpractice claims. Prior to the passage of HB 479, prior practices invited fraud and subsequently higher health care-related costs for Florida employers — an unsustainable atmosphere for attracting and retaining business in Florida.

Emergency Management

SB 450 by Sen. Mike Bennett (R-Bradenton) provides civil immunity to any person who gratuitously provides housing, shelter, food or certain other provisions in the wake of a declared disaster to first responders. SB 450 is important to community recovery and business continuity following catastrophic events. When communities are able

The Bottom Line ...

- A pro-business Legislature dealt a blow to the trial bar with the passage of some meaningful legal reforms like crashworthiness and medical malpractice. These reforms will go a long way in improving Florida's legal climate.
- At the end of the day, common sense prevailed and Arizona-like immigration laws were defeated by the Florida Legislature.

What AIF Followed ...

SB 142 (Crashworthiness) by Sen. Garrett Richter (R-Naples)

PASSED

HB 479 (Medical Malpractice) by Rep. Mike Horner

(R-Kissimmee) **PASSED**

SB 450 (Emergency Management) by Sen. Mike Bennett

(R-Bradenton) **PASSED**

HB 701 (Property Rights) by Rep. Eisnaugle (R-Orlando)

PASSED

SB 2040 (Enforcement of Immigration Laws) by

Senate Judiciary (R-Lake Wales) **Died on House Calendar**

HB 391 (Expert Testimony) by Rep. Larry Metz (R-Eustis) **Died in committee**

to provide for their own first responder communities, they are able to restore services and return to a state of normalcy much more quickly.

Immigration Reform

SB 2040 by the Senate Judiciary Committee quickly became the business community's top anti-business bill for 2011. From the outset, AIF was a vocal opponent to both the House & Senate versions of the legislation due to the mandated use of the flawed and error prone federal E-Verify system on Florida's employers. While AIF recognizes the need for a workable electronic employment verification system, we do not believe that E-Verify (in its current form) is ready to be mandated on Florida's employers. In addition, the bill also contained law enforcement provisions that could have tarnished Florida's image as a state friendly to international tourists and global commerce. As originally filed in the Senate, SB 2040 would have mandated E-Verify on Florida's businesses; however, the final version, sponsored by Budget Chairman J.D. Alexander (R-Lake Wales), removed the E-Verify mandate entirely.

In the final days of the 2011 Session, it appeared that E-Verify would once again rear its ugly head. Senator John Thrasher (R-Jacksonville) offered an amendment to SB 2040 that would insert the E-Verify mandate back into the bill — a move strongly opposed by AIF. After an emotional and intense debate, the Thrasher amendment was defeated. The watered-down Alexander version passed the Senate. After refusing to concur with the Senate's proposal, the House let immigration reform die altogether for the 2011 Session.

What was at Stake for Florida Employers...

The passage of Arizona-style immigration legislation could have set Florida back tremendously in terms of economic activity. At a time when Florida's unemployment rate is at an all-time high, this type of divisive and short-sighted proposal could have negatively impacted two of Florida's biggest industries — Agriculture and Tourism.

Targeting Economic Development Incentives

As Florida's budget shortfall continues to rise, securing state dollars for economic development incentives was perceived to be a daunting task. Nonetheless, AIF has lobbied successfully this year to pass meaningful incentives for the film and aerospace industries, consolidate state agency functions, and implement a "single sales factor" method for apportioning corporate income taxes. Perhaps considered a tall order in the beginning of 2011, legislative leadership worked closely with the business community to include many of these incentives in the state's budget. SB 143 accomplished this task by incorporating several of these measures into budget conforming legislation that was passed in the final minutes of the 2011 Session.

Economic Development Incentives

As briefly explained above, **HB 143 by Rep. Ritch Workman (R-Melbourne)** became the vehicle for many of AIF's top economic development initiatives for 2011. Provisions of great importance to AIF that were found within this legislation include:

Film Industry Incentives

Increases funding from \$38 million to \$42 million per year for fiscal years 2012-13, 2013-14, 2014-15. The bill creates incentives for using regions of the state that have been underutilized by the film industry while limiting total combined credits for a project to 30% of expenses. Furthermore, the bill removes television from the general production queue when more than 25% of credits over the history of the program have been granted to television series.

Single Sales Factor

This legislation creates an optional mechanism for eligible corporations to use single sales factor apportionment (SSFA) to calculate Florida income for Florida income tax purposes. The SSFA formula allows companies to be taxed only on sales and not the current formula (sales + property + payroll). 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.

Aerospace Tax Incentives

Allows a certified spaceflight business to apply for a credit equal to 50% of the business's corporate income tax liability in a given year, or for a transferable corporate income tax credit based upon a business's net operating loss incurred over a three-year period. The total amount of credits that may be approved under the bill is \$10 million.

Research & Development

Provides an annual corporate tax credit for qualifying research and development expenses in Florida, equal to 10% of the current year's expenses that exceed the average expenses over the past four years. The amount of credits available to be awarded under the bill is \$9 million.

The Bottom Line ...

- The Space (\$40 million) and Film & Digital Media (\$42 million) industries fared incredibly well this session. These industries hold some of the greatest promise for job creation in our state.
- The major reorganization of economic development agencies was strongly supported by AIF and will go a long way in making it easier for businesses to invest in Florida and apply for state incentives.

What AIF Followed ...

SB 2156 (Consolidation of Government Agencies) by Sen. J.D. Alexander (R-Lake Wales) **PASSED**
SB 143 (Economic Development/Tax Credits) by Rep. Ritch Workman (R-Melbourne) **PASSED**
HB 287 (Economic Development Tax Exemptions) by Rep. Eric Eisnaugle (R-Orlando) **PASSED**
HB 879 (Qualified Target Industries) by Rep. Eric Eisnaugle (R-Orlando) **PASSED**
HB 283 (Seaport Security) by Rep. Dana Young (R-Tampa) **PASSED**
HB 1231 (Telecommunications Deregulation) by Rep. Mike Horner (R-Kissimmee) **PASSED**
HB 943 (Capital Formation for Infrastructure Projects) by Rep. Eric Eisnaugle (R-Orlando) **Died on Senate Calendar**

State Agency Consolidation

With the passage of **SB 2156 by Sen. J.D. Alexander (R-Lake Wales)**, Enterprise Florida, a public-private economic development partnership, would take administrative control of the Black Business Investment Board, the Florida Sports Foundation and the Office of Tourism, Trade & Economic Development (OTTED). Both Visit Florida and Space Florida will remain independent, but will contract with Enterprise Florida – a move strongly favored by AIF. Additionally, a new state agency – the Department of Economic Opportunity – will oversee the Agency for Workforce Innovation, Workforce Florida and the Department of Community Affairs.

Seaport Security

HB 283 by Rep. Dana Young (R-Tampa) removes expensive and duplicative security background screening procedures and aligns Florida's security measures with the federal standards administered through the Department of Homeland Security. This issue is very important to businesses because it will significantly lower the cost per employee for persons working at ports by eliminating state background checks, since federal background checks are already conducted.

What Was at Stake for Employers ...

Governor Scott has made marketing the state of Florida for outside investment as one of his top priorities. To accomplish this goal he set out to drastically reorganize Florida's economic development agencies into a more efficient and accountable system. This government re-org should provide a greater return on investment for tax dollars spent on attracting capital to Florida.

The Issue ...

Reform of Florida's Growth Management Laws

The Following Issues Were **SUPPORTED BY**

AIF's Florida Development & Infrastructure Council

Aside from corporate income tax relief, Governor Rick Scott has focused much of his efforts on reducing bureaucratic red tape for Florida businesses. Since the beginning of his term, Governor Scott has vocally expressed his contempt of the state's agency in charge of reviewing development plans – the Department of Community Affairs (DCA). Cited as a job killer, this department has recently been merged into a new entity called the Department of Economic Opportunity, and will likely be downsized from its current form; however, much more in the way of legislative reform was needed. This year, the Legislature has passed several comprehensive growth management reforms that will return power back to local governments and stimulate concentrated growth in Florida.

Growth Management

HB 7207 by Rep. Gary Aubuchon (R-Cape Coral) is a comprehensive measure that allows local governments to regain power over their planning efforts, streamlines processes and removes unworkable provisions that delay economic development. In particular, the discretion of concurrency would be left up to the judgment of local governments. Concurrency in growth management planning is a requirement that schools, parks and roads be built along with the development that uses them. In essence, local government will now have the authority to decide whether or not to allow existing resources to be strained by the new development. Furthermore, local governments would no longer have to prove whether their development plans are financially feasible. **AIF has been working closely with stakeholders in the development community to eliminate the state's role in land use planning and return power back to the local governments.**

Community Renewal Act

HB 7001 and HB 7003 by Rep. Ritch Workman (R-Melbourne) comprise the "Community Renewal Act," otherwise known as 2009's landmark growth management legislation – SB 360. As originally intended, SB 360 offered larger developments the option of avoiding the Developments of Regional Impact (DRI) process in certain densely populated areas. After being found unconstitutional by a circuit court in 2009, the Legislature took up this issue separately in HB 7001 & 7003 to avoid a violation of the Constitution's single-subject rule.

Affordable Housing

HB 639 by Rep. Gary Aubuchon (R-Cape Coral) removes

The Bottom Line ...

- The business community and its allies finally achieved the goal of scrapping the artificially imposed cap on the Sadowski Affordable Housing Trust Fund (**HB 639**).
- Florida's economic future depends on smart growth. Taking the state out of the approval process and relying on local expertise will help speed up the process and reduce unnecessary bureaucracy. (**HB 7207**)

What AIF Followed ...

HB 7207/SB 1122/HB 7129 (Growth Management) by

Rep. Ritch Workman (R-Melbourne) **PASSED**

HB 7001 & 7003 (Community Renewal Act) by

Rep. Ritch Workman (R-Melbourne) **PASSED**

SB 410 (Impact Fees) by Sen. Mike Bennett (R-Bradenton)

PASSED

HB 639 (Affordable Housing) by Rep. Gary Aubuchon

(R-Cape Coral) **PASSED**

HB 993 by Rep. Ken Roberson (R-Port Charlotte) **PASSED**

the statutory limitations on the amount of documentary stamp revenue that goes into the State Housing Trust Fund and the Local Government Housing Trust Fund. Furthermore, it provides that funds from the State Housing Trust Fund or the Local Government Housing Trust Fund that are appropriated for use in the State Apartment Incentive Loan Program, Florida Home Ownership Assistance Program, Community Workforce Housing Innovation Pilot Program, or the State Housing Initiatives Partnership Program may not be used to finance or otherwise assist new construction until July 1, 2012. Despite this huge victory for AIF and the Sadowski Coalition, legislation passed this year will establish a State Enhancement Economic Development (SEED) trust fund that will permanently redirect \$75 million per year from the Housing Trust Fund, starting in FY 12-13, to assist the Governor in bringing jobs to Florida.

Permitting

HB 993 by Rep. Ken Roberson (R-Port Charlotte) includes a critical provision that was added late in the session which shifts the burden of proof for proving environmental harm to the challenger instead of a developer. This key provision will speed up the permitting process for business owners in Florida. In the past, environmentalists and other anti-growth groups could slow down the permitting process by claiming that projects could cause environmental damage to a particular area.

What Was at Stake for Employers ...

Florida's growth management laws had not been amended in more than 25 years. With the election of Governor Scott, a strong opponent of government regulation and duplicative permitting, members of the business community seized the opportunity to create a more efficient and responsive growth management process. Taking the state out of these decisions should speed up the approval of development projects and make it less expensive for business owners to get their projects approved.

The Issue ...

Setting the Stage for the Return of the Private Insurance Market in Florida

The Following Issues Were
SUPPORTED BY
AIF's Financial
Services Council

Insurance issues once again dominated the legislative landscape in 2011. This year, legislators tackled issues relating to further deregulation of the commercial insurance market, company solvency, and fraud abuses. Perhaps the greatest focus this session centralized on the reduction of Citizens Property Insurance Corporation, the state run “insurer of last resort” that has become the third largest homeowner insurance provider in the state of Florida. In recent years, homeowners have flocked to Citizens in light of their artificially low policy rates; however, AIF understands that the business community would be left on the hook should a catastrophic storm hit Florida. Hidden hurricane taxes would be shouldered by Florida’s taxpayers in light of Citizens’ inability to pay claims. Unfortunately, legislation to continue the process of bringing Citizens’ insurance rates to more actuarially sound rates was defeated by the House of Representatives this year. Despite this setback, AIF was very successful this session in seeing two of its top insurance priorities sent to the Governor for final passage.

Commercial Insurance De-Regulation

HB 99 by Rep. Brad Drake (R-DeFuniak Springs) received resounding support from both sides of the aisle this session. One of AIF’s top insurance priorities for 2011, this bill allows five new types of commercial insurance to be exempt from the Office of Insurance Regulation’s (OIR) rate filing and approval process which results in an exemption for over 80% of commercial rates. This measure builds upon legislation passed in 2010 that allows certain commercial lines to be exempt from the rate filing process. HB 99 further exempts fiduciary liability, general liability, non-residential property & multiperil, excess property, and burglary & theft lines from having to obtain prior rate approval. Furthermore, motor vehicle fleets with fewer than 20 vehicles would be exempt from having to obtain prior approval for insurance pricing from the OIR.

Property Insurance

In the area of property insurance, **SB 408 by Sen. Garrett Richter (R-Naples)** is on the way to Governor Scott for his consideration. This legislation reduces the time frame to file hurricane claims from 5 years to 3 years following a hurricane, increases solvency requirements for insurance companies, elimi-

The Bottom Line ...

- Property insurance reform legislation will encourage private property insurers to increase their market share in Florida, thus reducing the dependence on artificial government insurance (**SB 408**).
- Maintaining a competitive commercial insurance market in Florida by ensuring that competition will be the primary determinant of insurance rates is the best way to keep insurance rates low (**HB 99**).

What AIF Followed ...

SB 408 (Property & Casualty Insurance) by Sen. Garrett Richter (R-Naples) **PASSED**

HB 99 (Commercial Insurance De-Regulation) by Rep. Brad Drake (R-DeFuniak Springs) **PASSED**

HB 2132 (Drug Repack/Workers’ Comp.) by Sen. J.D. Alexander (R-Lake Wales) **Removed from budget conforming legislation**

HB 1243 (Citizens Property Insurance Corporation) by Rep. Jim Boyd (R-Bradenton) **Died on House Calendar**

nates public adjusters’ abuses and repeals the current requirement that property replacement costs be paid up front and replaced with the payment of actual cash value with a holdback until repairs are actually completed. Increased reliance on private insurers is vital for the restoration of the private residential insurance market and will reduce Citizens and the potential for hurricane-related taxes. SB 408 was amended in the final days of session to no longer exempt insurers from providing mandatory comprehensive sinkhole coverage — a move strongly opposed by AIF.

What Was at Stake for Employers ...

Hurricane taxes have the potential to be a silent killer for Florida business owners. In the event of a catastrophic storm, insurers must possess adequate reserves to pay claims. By removing the rate filing requirement, and thus granting private insurers a greater presence in the state’s insurance market, insurance pricing power will be put back into the hands of the consumer to help ensure a vibrant, competitive private-insurance market while providing for necessary consumer protections.

The Issue ...

Tax Relief for Florida's Businesses

Recent history has demonstrated that tax incentives are the cornerstone for attracting business and stimulating job creation in Florida. Simply put, employers will not be encouraged to expand their operations or workforce without tax relief. Fortunately, AIF's powerful lobbying presence this legislative session has secured numerous tax incentives that will promote growth and expansion in Florida.

Unemployment Compensation

AIF worked at the forefront of negotiations this year to oversee the passage of meaningful reform to the current unemployment compensation system. **HB 7005 by Rep. Doug Holder (R-Sarasota)** updates and revises the claims process of the unemployment system to guarantee that only people who truly qualify for benefits are receiving payments. Specifically, HB 7005 cuts back the maximum number of weeks a person can be on unemployment benefits from 26 weeks to 23 weeks when the jobless rate is at 10.5 percent or higher. The bill also revises the tax calculation formula for 2012 to provide some minor savings to many employers across the state, based on each individual company's experience with the system. This measure will mitigate the exponential tax increases that are forecasted for next year, but employers should still anticipate the 2012 minimum UC tax to be over \$150 per employee.

Corporate Income Tax (CIT) Reduction

HB 7185 by Rep. Steve Precourt (R-Orlando) was one of AIF's top corporate income tax priorities of 2011. This legislation increases the existing tax exemption for Florida businesses from \$5,000 of tax to \$25,000, resulting in about a \$30 million tax cut. Both parties praised the bill for giving small businesses a much needed break in this economy. Despite Governor Rick Scott's unsuccessful push to phase out and eliminate the corporate income tax rate — a proposal strongly encouraged by AIF — the business community has experienced a big win in this significant reduction. Governor Scott will be back next year to work on his campaign promise to phase out the corporate income tax in Florida.

Emergency Excise Tax

HB 143 by Rep. Ritch Workman (R-Melbourne) repeals Chapter 221 of the corporate income tax code relating to emergency excise taxes. Furthermore, this legislation allows taxpayers with unused credits related to the tax to take such credits against corporate income tax. Remitting the emergency excise tax has proven to be a tremendous burden for Florida corporate income tax payers, yet it brings the state less than \$50,000 in revenue annually. AIF commends members of the Florida Legislature for their efforts to modernize Florida's tax code by repealing Chapter 221.

The Bottom Line ...

- Even during a tough budget year, the Florida Legislature was able to provide some tax relief to Florida employers (**HB 7185**).
- Florida has finally caught up to a number of other states by providing companies the option of using the Single Sales Factor method of apportioning corporate income taxes. This major change could lead to some significant investments in Florida (**HB 143**).
- Florida's unemployment compensation system has been reformed to carefully manage the way benefits are awarded (**HB 7005**).

What AIF Followed ...

HB 7005 (Unemployment Compensation) by Rep. Doug Holder (R-Sarasota) **PASSED**

HB 143 (Tax Credits) by Rep. Ritch Workman (R-Melbourne) **PASSED**

HB 311 (Local Business Taxes) by Rep. Ken Roberson (R-Port Charlotte) **PASSED**

HB 7185 (Corporate Income Tax) by Rep. Steve Precourt (R-Orlando) **PASSED**

HB 381 (Homestead/Nonhomestead Property) by Rep. Chris Dorworth (R-Heathrow) **PASSED**

HB 887 (Communications Services Tax) by Rep. Chris Dorworth (R-Heathrow) **PASSED**

SB 958 (State Revenue Limitation/"Smart Caps") by Sen. Ellyn Bogdanoff (R-Ft. Lauderdale) **PASSED**

SB 1548 (Streamlined Sales and Use Tax Agreement) by Sen. Evelyn Lynn (R-Daytona Beach) **Died in committee**

SB 1236 (Repeal of Corporate Income Tax) by Sen. Garrett Richter (R-Naples) **Died in committee**

Local Business Taxes

HB 311 by Rep. Ken Roberson (R-Port Charlotte) simply creates an exemption from local business taxes for an individual who engages in or manages a business, profession, or occupation as an employee of another person. Furthermore, HB 311 provides that the exempt employee 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. Met with virtually no opposition by members of the Legislature, this very important bill is strongly supported by AIF and the business community. 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.

What was at Stake for Florida Employers ...

Reforming Florida's unemployment compensation system, more specifically the way benefits are awarded, was an important and much needed undertaking. Benefits were being awarded with little scrutiny and for unmeritorious reasons. The provisions in HB 7005 will go a long way in ensuring that only those who really deserve unemployment benefits receive them.