

Taxation

With the continued decline in state tax revenues to fund state services and programs, the Legislature will be looking at ways to increase revenues through changes in the tax code. This would include proposals that promote growth in jobs and investment by businesses in the state, as well as potential tax reform. AIF will be monitoring all tax bills and tax committees' workshops on tax issues this session. We will evaluate them from our members' perspective, as well as the long-term interest of the state's economic growth. AIF stands ready to work with the Legislature to develop tax policy that would help accelerate the economic recovery.

The state of Florida, along with a number of other states, is grappling with tremendous budget deficits resulting from the economic downturn. Additionally, federal stimulus funds used last year to balance the budget have left gaping holes that need to be filled. Known as the "stimulus flameout," this phenomenon will be the toughest challenge for legislators in 2010.

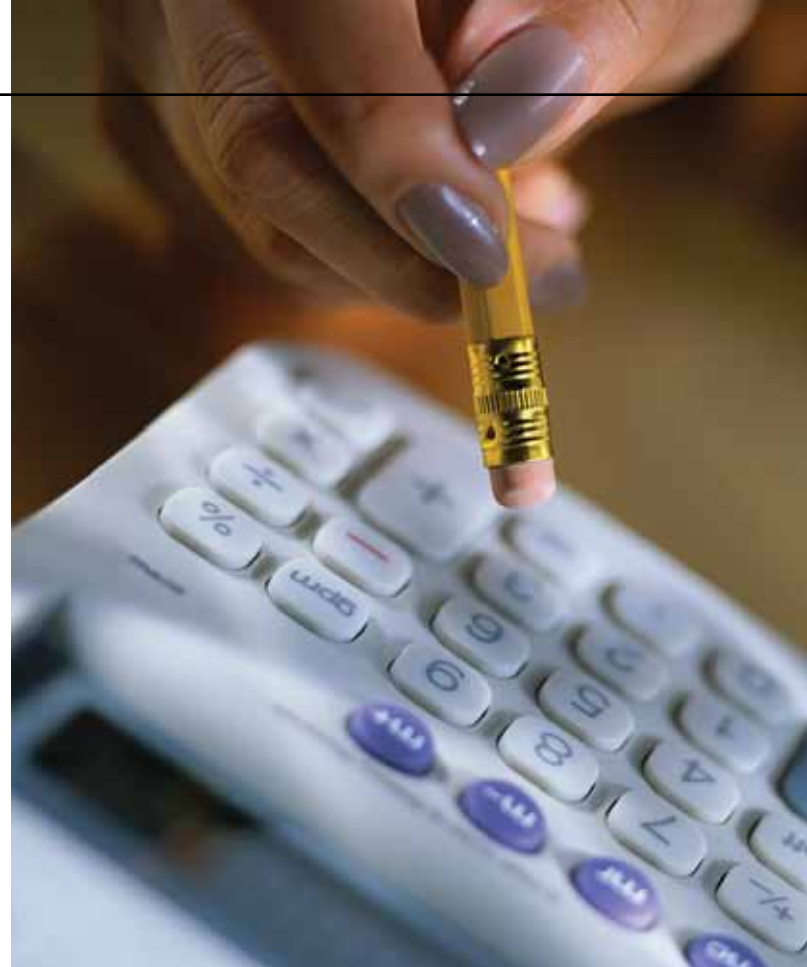
- AIF strongly believes you cannot tax your way out of a bad economy, yet legislators will have to figure out how to deal with the anticipated \$3 billion shortfall.
- One way to address the issue is by continuing to look at ways to save costs and increase efficiencies in government.
- Another way would be to look for ways to make Florida more competitive when it comes to attracting investments in our state.

Creating an attractive business environment through positive changes to the tax structure is a proven way to create economic activity. Any efforts to achieve this goal will be supported by AIF.

Listed below are some of the issues we will be following:

Streamlined Sales and Use Tax Agreement

AIF SUPPORTS a memorial to Congress that would encourage the enactment of federal legislation to authorize states to require remote sellers to collect sales and use taxes on goods and services sold into the state. This memorial would not cost the state any revenue and would move us toward collecting all sales and use taxes owed to the state from remote sales. This is extremely important to the state's future as a University of Tennessee study estimated that Florida will lose



as much as \$1.4 billion in 2012 from these sales. Sen. Jeremy Ring (D-Margate) has filed the Main Street Fairness Act (SB 254), which is a memorial doing exactly what AIF and other business organizations support. In addition, Rep. Michelle Rehwinkel Vasilinda (D-Tallahassee) has filed legislation (HB 165) to make Florida a member of the Streamlined Sales and Use Tax Agreement.

Corporate Income Tax – Mandatory Combined Reporting

AIF OPPOSES any bill that implements combined reporting or the requirement that companies combine profits from all related subsidiaries before determining what portion of their profits are taxable in that state. AIF strongly opposes this bill because it is overly broad, and discourages investment and economic development in the state. Moreover, the bill includes provisions not found in any southeastern state. This places Florida in a significant disadvantage when it comes to competing for jobs.

Corporate Income Tax – Single Sales Factor

Another corporate income tax change being evaluated is moving to a Single Sales Factor (SSF) in apportioning corporate income tax to Florida. Some companies will only locate in states that have a single-sales factor; however, there are winners and losers in this change. **AIF could SUPPORT a move to an optional**

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election by companies to use the SSF formula; however, AIF OPPOSES a move to SSF in exchange for other structural changes such as combined reporting or the “throwback” rule. The throwback rule looks to tax corporations with facilities in a state that are not taxed by other states (where goods are sold). In theory, that income is “thrown back” and taxed in the state where the company has facilities.

Property Tax – Value Adjustment Boards

In 2007, the Legislature passed HB 909 which implemented many improvements in the Value Adjustment Board (VAB) process, most of which were recommended by an Auditor General’s report. **AIF supported that effort and this session supports a few additional changes to address some “glitches.”** Making the VAB process fairer for the tax payer is the primary goal of these changes.

Sales and Use Tax Exemptions

AIF SUPPORTS a comprehensive review of existing exemptions in order to determine whether they still serve a public purpose, but we OPPOSE any proposals that automatically sunset exemptions unless reenacted. With state revenues needed to continue necessary funding of programs and services, sales and use tax (SUT) exemptions are under constant scrutiny. SUT exemptions generally incentivize behavior by businesses that create jobs and increase capital investment in the state. One example is the exemption for the purchase of machinery and equipment by

manufacturers looking to expand by at least 10 percent. **AIF SUPPORTS a temporary reduction in the 10 percent threshold in order to be more realistic during this economic downturn.** We believe this temporary threshold reduction would incentivize additional investment and possibly an increase in jobs.

Sales Tax Holidays for School and Hurricane Preparedness Supplies

AIF SUPPORTS increasing business activity by allowing Floridians to purchase essential school and hurricane supplies without having to pay sales tax. In previous years, the Florida Legislature has passed legislation that would establish a set number of days (typically a week) during which no sales and use taxes are collected on specified items related to hurricane preparedness or school supplies. These “sales tax holidays” are a great way to increase economic activity, while also helping to raise awareness.

Working Waterfronts

AIF SUPPORTS efforts to pass implementing legislation for Amendment 6 – Working Waterfronts. In 2008, Florida voters overwhelmingly approved Amendment 6 in an effort to preserve working waterfronts for future generations. The purpose of the amendment was to change the way working waterfront properties were taxed. The current system of “highest and best use” taxation forces waterfront businesses to be appraised and taxed upon the potential use of the land instead of actual use. Such uses could be high-rise condominiums or waterfront resorts. Amendment 6 ensures that a working waterfront property will be taxed at its current use. Rep. Julio Robaina (R-Miami) has filed HB 73 which is the legislation we need to implement the constitutional amendment. Sen. Charlie Dean (R-Inverness) has filed the companion bill (SB 346) in the Senate.



Senate Finance & Tax Committee Chair Sen. Thad Altman (R-Melbourne) attends an AIF Tax Committee meeting.

AIF Lobby Team Members Assigned to the Area of Taxation:



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