

Florida's People Florida's Promise

*Putting People First is
Good Leadership and Good Business*

Can Florida raise billions while helping businesses and families? Yes!

As Florida faces a historic fiscal crisis, Florida's People, Florida's Promise believes that a robust, free-ranging discussion of our state's revenue options is essential. We offer the following options as a spur to that discussion. Are these revenue enhancements that we endorse? Not necessarily. Are they ideas that lawmakers should debate? Yes!

Option 1: Review nearly \$1 billion in Florida sales tax exemptions that a 2003 Florida TaxWatch study identified as appropriate for review.

What's it worth: Nearly \$1 billion.

In March 2003, Florida TaxWatch published a highly detailed study of Florida's tax and budget structure. The report used a three-part test for reviewing Florida's \$24-billion-plus worth of sales tax exemptions. TaxWatch said that lawmakers should keep exemptions that protect necessities of life from sales tax, such as food and medicine; keep economic-development tax exemptions, which help grow our economy; and keep exemptions that avoid repeat taxation or which are inherent in the nature of a sales tax, such as no sales tax on labor services (called "structural" exemptions).

Even so, sales tax exemptions not meeting these three tests still total nearly \$1 billion, in 2008 dollars. Florida's People, Florida's Promise believes the Legislature should review these exemptions to determine if they continue to meet the public purpose that was identified when the tax exemptions were created.

Option 2: Collect state sales and use tax on Internet and other forms of remote commerce, a tax that is due under current law but not collected.

What's it worth: Perhaps tens of millions of dollars in the short-term. With federal action, up to \$3.2 billion* annually.

Some 22 states comply with a national voluntary effort to collect state and local sales taxes on Internet, mail-order and phone sales. Florida has not yet taken that step. Florida cities and counties also lose, because they aren't collecting local sales taxes of up to 1.5 percent. *Source: Florida TaxWatch Briefing 2007

States that fully comply in the national effort work with vendors who voluntarily collect and remit taxes to the states (currently collecting more than \$100 million). This is also a national effort to get the federal government to require Internet, telephone hotline and mail-order vendors to collect and remit the tax. Florida's involvement is essential to success.

Failing to collect sales tax on Internet, mail-order or telephone hotline sales gives out of state vendors a built-in 6- to 7.5 percent price advantage over similar Florida businesses.

Option 3: Federal revenue maximization

What's it worth: \$344 million in the Agency for Health Care Administration alone.

Florida ranks fifth highest in the nation in per-capita taxes paid to Washington but ranks 24th per-capita in federal funds received. Our state is fourth from the bottom in federal grants received. If Florida merely received the average federal dollars distributed to states, it would mean an additional \$6.5 billion per year. There are some reasons that are out of the state's control, but there are also hundreds of millions of dollars of federal grants that Florida has earned yet simply not applied for and therefore not been granted. For example, last year Florida lost \$344 million dollars from federal match in Medicaid programs.

Option 4: Centralize government regulatory checks, streamline and reduce bureaucracy, and identify and eliminate duplication

What's it worth: Easily millions – though exact numbers are hard to find

Florida businesses and nonprofits have long found teams of state regulators knocking on their doors – often, four or five different state and local regulators visiting the same business in a single year.

Consolidating regulatory oversight could save millions by enhancing accountability and efficiency of government agencies charged with the oversight. Additionally reducing compliance burdens on service providers would allow more resources to be directed toward service delivery.