

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Finance and Tax Committee

BILL: CS/SB 1590

INTRODUCER: Finance and Tax Committee and Senator Haridopolos

SUBJECT: Taxation

DATE: April 10, 2008 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Fournier	Johansen	FT	Fav/CS
2.			GA	
3.			RC	
4.				
5.				
6.				

Please see Section VIII. for Additional Information:

- | | | |
|------------------------------|-------------------------------------|---|
| A. COMMITTEE SUBSTITUTE..... | <input checked="" type="checkbox"/> | Statement of Substantial Changes |
| B. AMENDMENTS..... | <input type="checkbox"/> | Technical amendments were recommended |
| | <input type="checkbox"/> | Amendments were recommended |
| | <input type="checkbox"/> | Significant amendments were recommended |

I. Summary:

This committee substitute directs the Governor to oversee a comprehensive review of Florida's state and local tax structure, taking into consideration recently proposed revisions considered by the Florida Taxation and Budget Reform Commission as well as other proposals considered by the Legislature. Upon completion of the review, the Governor is directed to recommend revisions to the state's current tax structure consistent with generally accepted principles of taxation. The recommendations should be revenue neutral, to the extent practicable. The recommendations must be submitted to the President of the Senate and Speaker of the House of Representatives by February 1, 2009.

II. Present Situation:

Taxation and Budget Reform Commission

Article XI, sec. 6 of the State Constitution creates the taxation and budget reform commission, which, beginning in 2007 and each twentieth year thereafter, "shall examine the state budgetary process, the revenue needs and expenditure processes of the state, the appropriateness of the tax structure of the state, and governmental productivity and efficiency; review policy as it relates to

the ability of state and local government to tax and adequately fund governmental operations and capital facilities required to meet the state's needs during the next twenty year period; determine methods favored by the citizens of the state to fund the needs of the state, including alternative methods for raising sufficient revenues for the needs of the state; determine measures that could be instituted to effectively gather funds from existing tax sources; examine constitutional limitations on taxation and expenditures at the state and local level; and review the state's comprehensive planning, budgeting and needs assessment processes to determine whether the resulting information adequately supports a strategic decisionmaking process.”

The commission is composed of the following members:

- (1) eleven members selected by the governor, none of whom shall be a member of the legislature at the time of appointment.
- (2) seven members selected by the speaker of the house of representatives and seven members selected by the president of the senate, none of whom shall be a member of the legislature at the time of appointment.
- (3) four non-voting ex officio members, all of whom shall be members of the legislature at the time of appointment. Two of these members, one of whom shall be a member of the minority party in the house of representatives, shall be selected by the speaker of the house of representatives, and two of these members, one of whom shall be a member of the minority party in the senate, shall be selected by the president of the senate.

The commission shall issue a report of the results of the review carried out, and propose to the legislature any recommended statutory changes related to the taxation or budgetary laws of the state. Not later than one hundred eighty days prior to the general election in the second year following the year in which the commission is established, the commission shall file with the custodian of state records its proposal, if any, of a revision of this constitution or any part of it dealing with taxation or the state budgetary process.

Tax Reform Task Force

In 2000, the Legislature created the State Tax Reform Task Force.¹ The Task Force was created to examine the state's tax structure and make recommendations to the governor and the Legislature on how the state's tax structure can be improved to ensure a stable revenue base that is adequate to fund the needs of the state. The 16-member task force was charged with examining the state's tax structure to evaluate whether it is adequate for supporting the continuing needs of the state, and it was directed to consider the following in its valuation:

(a) Standard principles of sound tax policy:

1. Effectiveness.—Is the revenue raised by the system stable and adequate to fund needed services or is it highly sensitive to economic fluctuations in the short run? Does the tax structure produce revenue that grows as the state's economy grows; thereby enabling the public sector to grow commensurately with the private sector?

¹ Chapter 2000-222, Laws of Florida.

2. Efficiency.—Is Florida’s tax structure easily and economically administered? Is compliance with tax provisions, by businesses and by consumers, simple and inexpensive? Does the tax system unnecessarily distort decisionmaking by consumers or business? To what degree can the tax burden be exported to tourists, the federal government, or out-of-state businesses?

How does the state’s tax structure interact with Federal or local tax structures?

3. Equity.—Is Florida’s tax structure proportional or progressive in its incidence among income groups? Are individuals with similar incomes taxed uniformly? Are Florida’s taxes based on ability to pay?

(b) How other states treat the same or similar tax issues.

(c) Whether the base of the tax system is as broad as possible, so that tax rates and burdens are as low as possible.

(d) Whether tax exemptions are consistent with state tax policy and the economic impact of each exemption.

(7) In addition, the task force shall provide an analysis of alternative tax sources.

The task force was required to submit an interim report by February 1, 2001 and, by February 1, 2002, to submit a final report to the Governor, the President of the Senate, and the Speaker of the House of Representatives.

The task force adopted the following principles of taxation for Florida:

1. Equity – The Florida tax system should treat individuals equitably. It should impose similar tax burdens on people in similar circumstances and should minimize regressively.

2. Compliance – The Florida tax system should facilitate taxpayer compliance. It should be simple and easy to understand so as to minimize compliance costs and increase the visibility of the taxes being paid.

3. Pro-Competitiveness – The Florida tax system should be responsive to interstate and international competition in order to encourage savings and investment in plant, equipment, people, and technology in Florida.

4. Neutrality – The Florida tax system should affect competitors uniformly and not become a tool for “social engineering”. It should minimize government involvement in investment decisions, making any such involvement explicit, and should minimize pyramiding.

5. Stability – The Florida tax system should produce revenues in a stable and reliable manner that is sufficient to fund appropriate governmental functions.

III. Effect of Proposed Changes:

This committee substitute directs the Governor to oversee a comprehensive review of Florida’s state and local tax structure, taking into consideration recently proposed revisions considered by the Florida Taxation and Budget Reform Commission as well as other proposals considered by the Legislature. Upon completion of the review, the Governor is directed to recommend revisions to the state’s current tax structure consistent with generally accepted principles of taxation. The recommendations should be revenue neutral, to the extent practicable. The

recommendations must be submitted to the President of the Senate and Speaker of the House of Representatives by February 1, 2009.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

This proposed committee substitute requires the governor to oversee a comprehensive review of Florida's state and local tax structure, but does not specify who will carry out the actual process.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Additional Information:

A. Committee Substitute – Statement of Substantial Changes:

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

CS by Finance and Tax Committee on April 10, 2008:

Senate Bill 1590 was originally filed as a shell bill expressing legislative intent to revise

laws relating to taxation. The Finance and Tax Committee adopted the committee substitute as described in this bill analysis.

B. Amendments:

None.

This Senate Bill Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.
