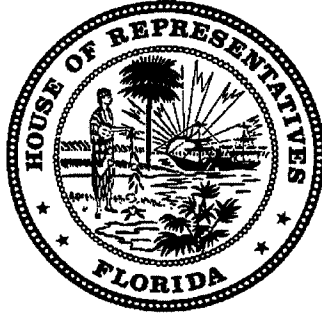


Finance & Tax Committee

**Thursday, January 13, 2011
1:15 p.m.
Reed Hall (102 HOB)**

MEETING PACKET



Finance and Tax Committee

AGENDA
January 13, 2011
1:15 p.m. – 5:00 p.m.
Reed Hall

- I. Call to order/Roll Call
- II. Introduction of staff and review of Finance & Tax Committee role in the House of Representatives
- III. Overview of the State Tax and Fee Structure
- IV. Review of major Finance & Tax Committee activity in the 2010 legislative session
- V. Review of possible finance and tax issues for the 2011 legislative session
- VI. Overview of government revenue or spending limitations
- VII. Closing Remarks and Adjournment

Florida House of Representatives

Finance and Tax Committee

January 13, 2011

FLORIDA STATE TAX STRUCTURE

OUTLINE

- ✘ Taxes and fees anchor the state revenue system
- ✘ The tax/fee system is complex—it touches the economy in many ways
- ✘ The tax/fee system is dynamic—driven by law changes and economic forces
- ✘ Florida is not a high tax state and has a unique structure compared to most other states

WHY IS THIS INFORMATION IMPORTANT?

- ✘ Taxes & fees are the primary determinants of the size of state government
- ✘ Design of the system impacts:
 - + Who pays for government and how
 - + (Dis)incentives for economic growth and development

STATE TAXES & FEES—WHERE DO THEY FIT?

State Government Revenues		
	FY 2009-10	
	Receipts	Percent of
	(Billion of \$)	Total
Taxes, Licenses and Fees*	35.2	51.3%
Federal, County & Other Grants	28.4	41.4%
Lottery Ticket Sales	3.9	5.7%
Investment Earnings	0.3	0.4%
Fines, Forfeitures, Judgments	0.7	1.0%
<u>Other</u>	<u>0.2</u>	0.2%
TOTAL	68.6	
*Net of General Revenue Fund Refunds		

FLORIDA'S TAX & FEE SYSTEM TODAY

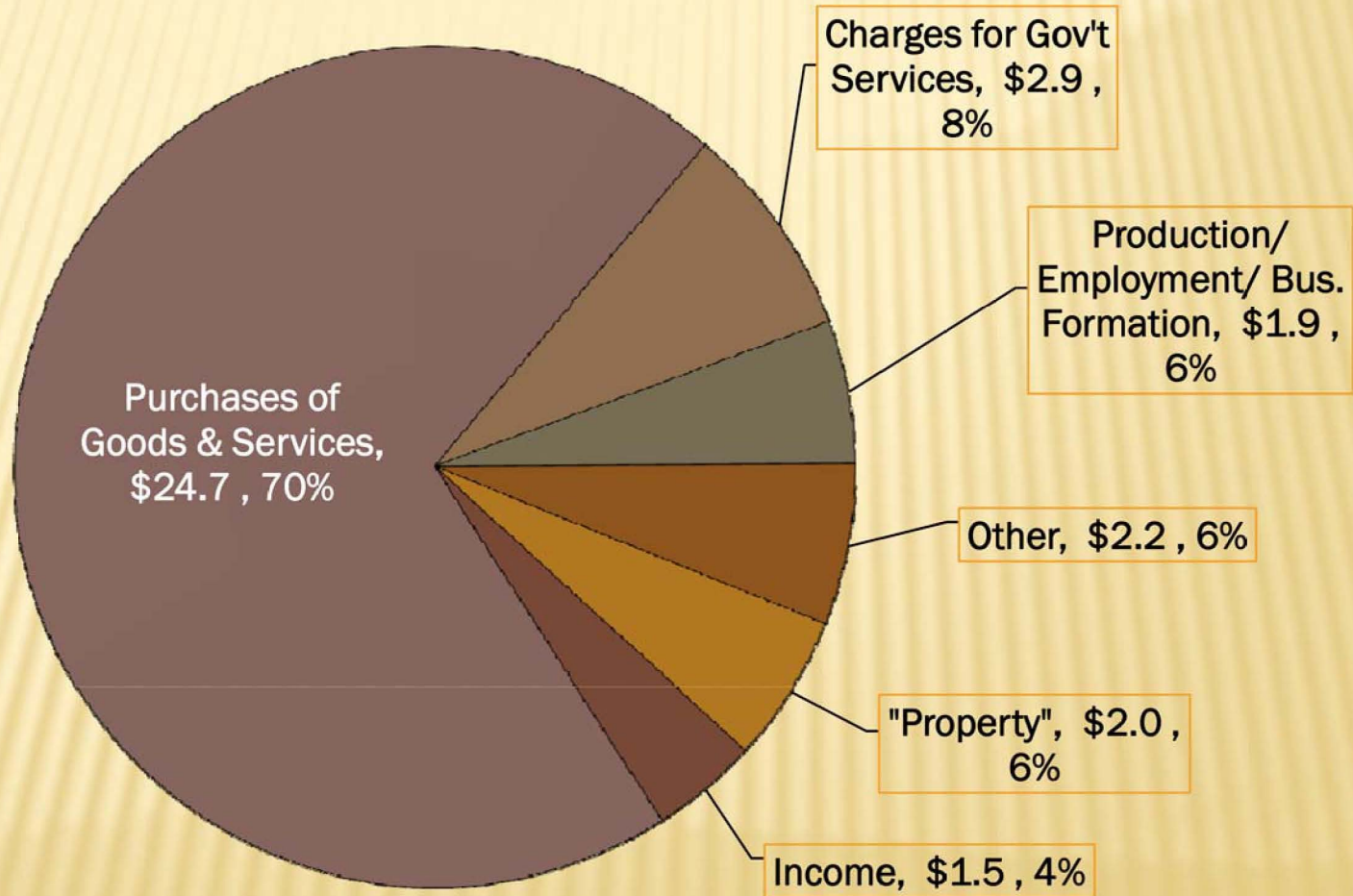
- Established in law
 - Constitutional
 - Broad authority granted to the Legislature
 - Limits on state taxation of personal and corporate income, and on estates and property
 - Statutes/Laws of Florida/Rules
 - Most system specifics are determined here
 - Case Law
 - The courts often “fill in the blanks” remaining in the law
 - Federal Law (statutory and constitutional)

FLORIDA'S TAX & FEE SYSTEM TODAY

- Broad Categories of Taxes & Fees: What is the levy based on?
 - Purchases of Goods and Services
 - Income
 - Employment/Production/Business Formation
 - Charges for Government Services/Privileges/Regulation
 - Ownership or Transfer of Property

FLORIDA'S TAX & FEE SYSTEM TODAY

Florida's Taxes and Fees:
\$35.2 Billion, FY 2009-10



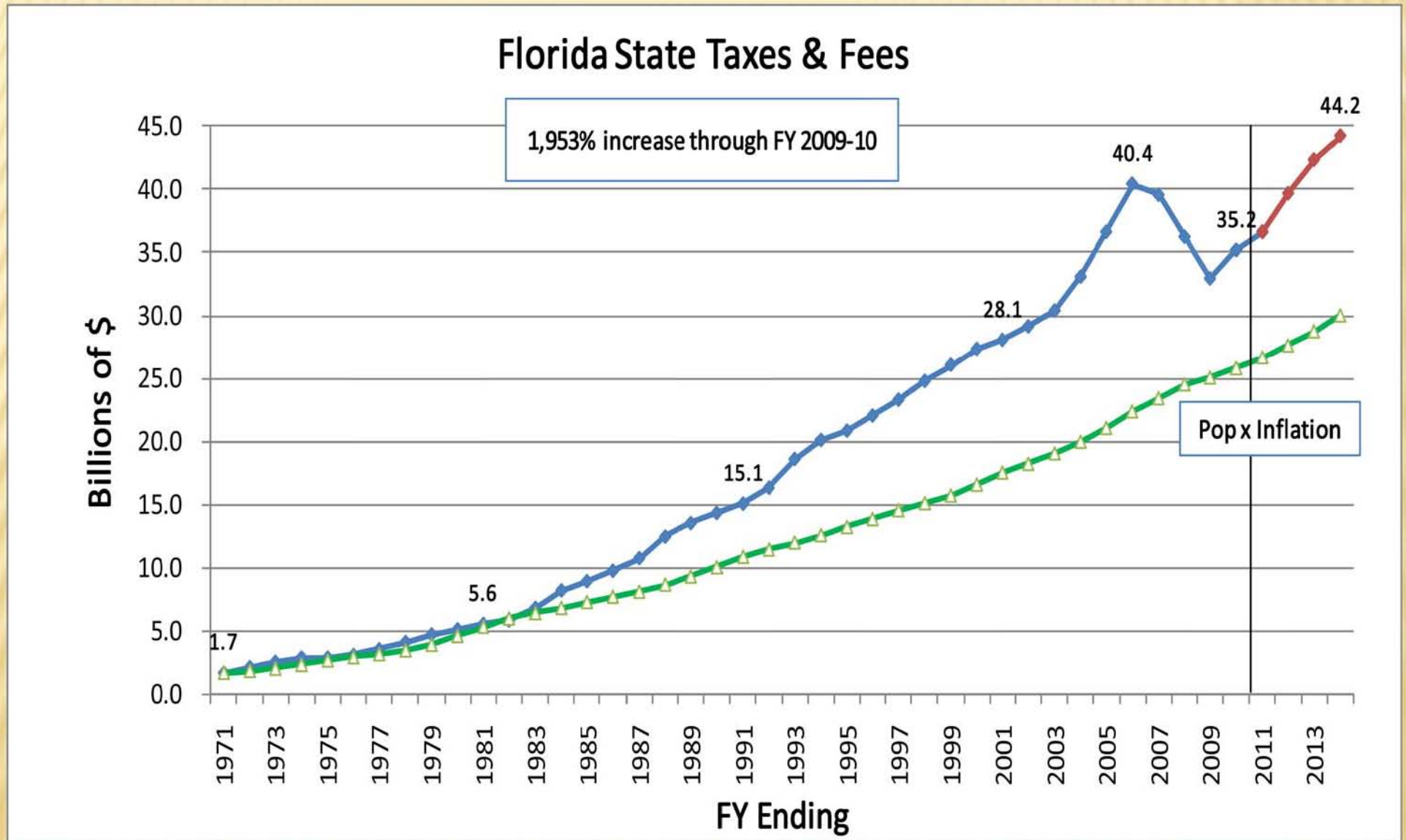
FLORIDA'S TAX & FEE SYSTEM TODAY

	2009-10	
	(mil \$)	% of Total
Sales and Use Tax*	17,831.4	50.7%
Motor Fuel Taxes	2,243.8	6.4%
Tobacco Taxes	1,342.9	3.8%
Gross Receipts Utilities Tax	1,097.7	3.1%
Insurance Premiums Tax*	814.6	2.3%
Beverage Licenses and Taxes	627.1	1.8%
Hospital Tax**	417.1	1.2%
Slot Machine Fees, Licenses, and Taxes	153.0	0.4%
Workers' Comp Special Disability Assessment	112.4	0.3%
Other Purchases of Goods & Services	46.1	0.1%
SUBTOTAL: PURCHASES OF GOODS/SERVICES	24,686.1	70.2%
Unemployment Compensation Tax	1,155.5	3.3%
Documentary Stamp Tax (Part)	448.7	1.3%
Corporate Filing Fees	238.1	0.7%
Solid Mineral Severance Tax	58.6	0.2%
Citrus Taxes	41.4	0.1%
Oil and Gas Severance Tax	3.9	0.01%
SUBTOTAL: PRODUCTION/EMPLOYMENT	1,946.4	5.5%
* Net of General Revenue Refunds		
** FY 2008-09 revenue		

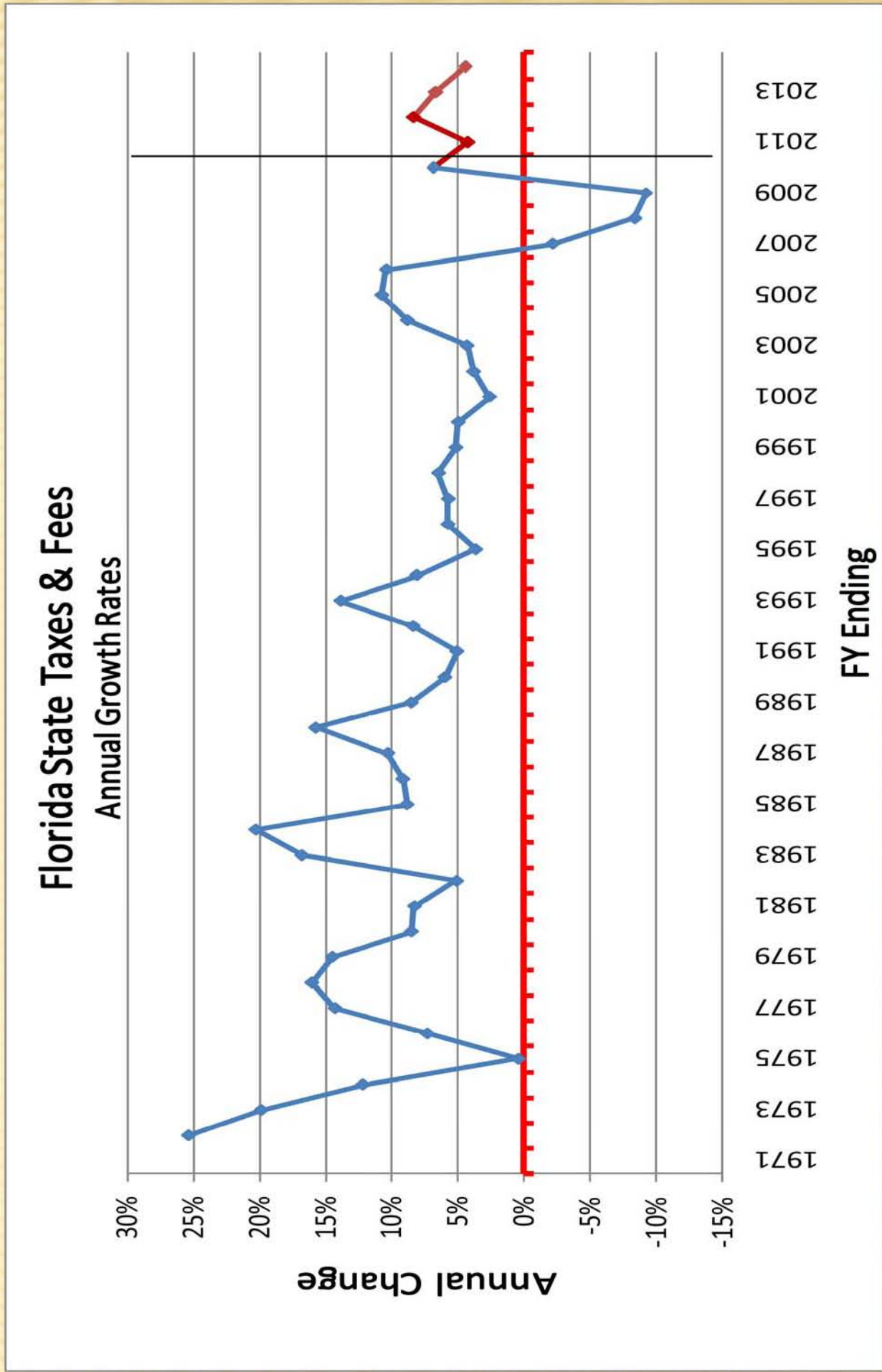
FLORIDA'S TAX & FEE SYSTEM TODAY

	2009-10 (mil \$)	% of Total
Motor Veh. & Mobile Home Licenses	1,078.6	3.1%
Documentary Stamp Tax (Part)	764.1	2.2%
Intangible Personal Property Tax	158.7	0.5%
SUBTOTAL: PROPERTY-BASED	2,001.4	5.7%
CORPORATION INCOME TAX*	1,460.1	4.2%
Local Govt Contributions--Medicaid-Related**	689.8	2.0%
Article V Charges	644.1	1.8%
Medical and Hospital Reimbursements	364.2	1.0%
Auto Title & Lien Fees	300.4	0.9%
Drivers Licenses & Fees	297.9	0.8%
Motor Vehicle Fees & Charges	210.2	0.6%
Pre-trial Detention Charges--County Payments**	93.5	0.3%
Other Charges for Govt Services	302.3	0.9%
SUBTOTAL: GOVERNMENT SERVICES	2,902.5	8.3%
OTHER	2,184.1	6.2%
TOTAL STATE TAXES & FEES	35,180.5	100%
* Net of General Revenue Refunds		
** FY 2008-09 revenue		

FLORIDA'S TAX & FEE SYSTEM DYNAMICS



FLORIDA'S TAX & FEE SYSTEM DYNAMICS

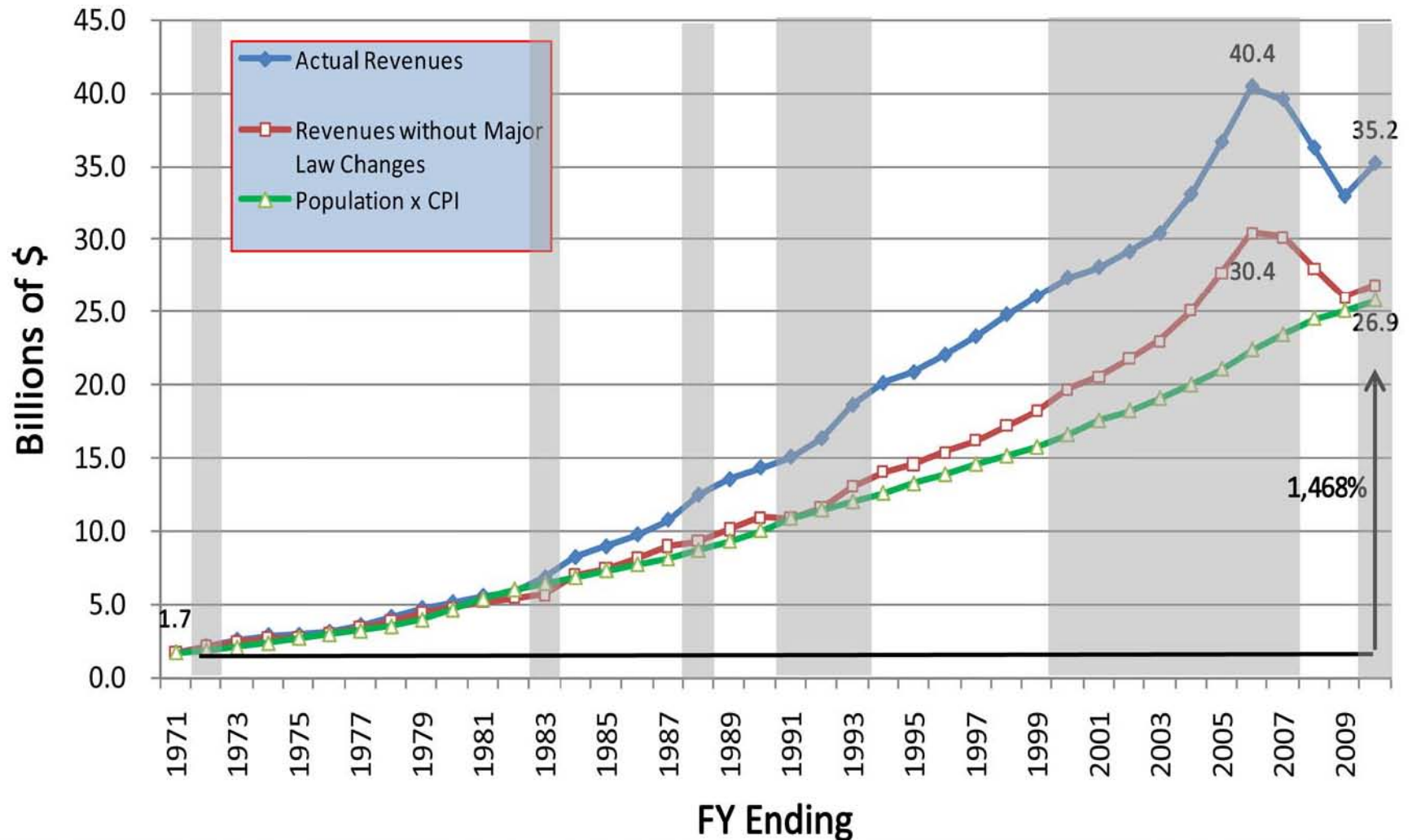


FLORIDA'S TAX & FEE SYSTEM DYNAMICS

- DYNAMIC #1: Changes in the Individual Elements of the System (Additions, Deletions, Modifications)
 - Law Changes—Statutory & Constitutional
 - Court Cases
 - State and Federal

FLORIDA'S TAX & FEE SYSTEM DYNAMICS

Law Changes Have Been Significant

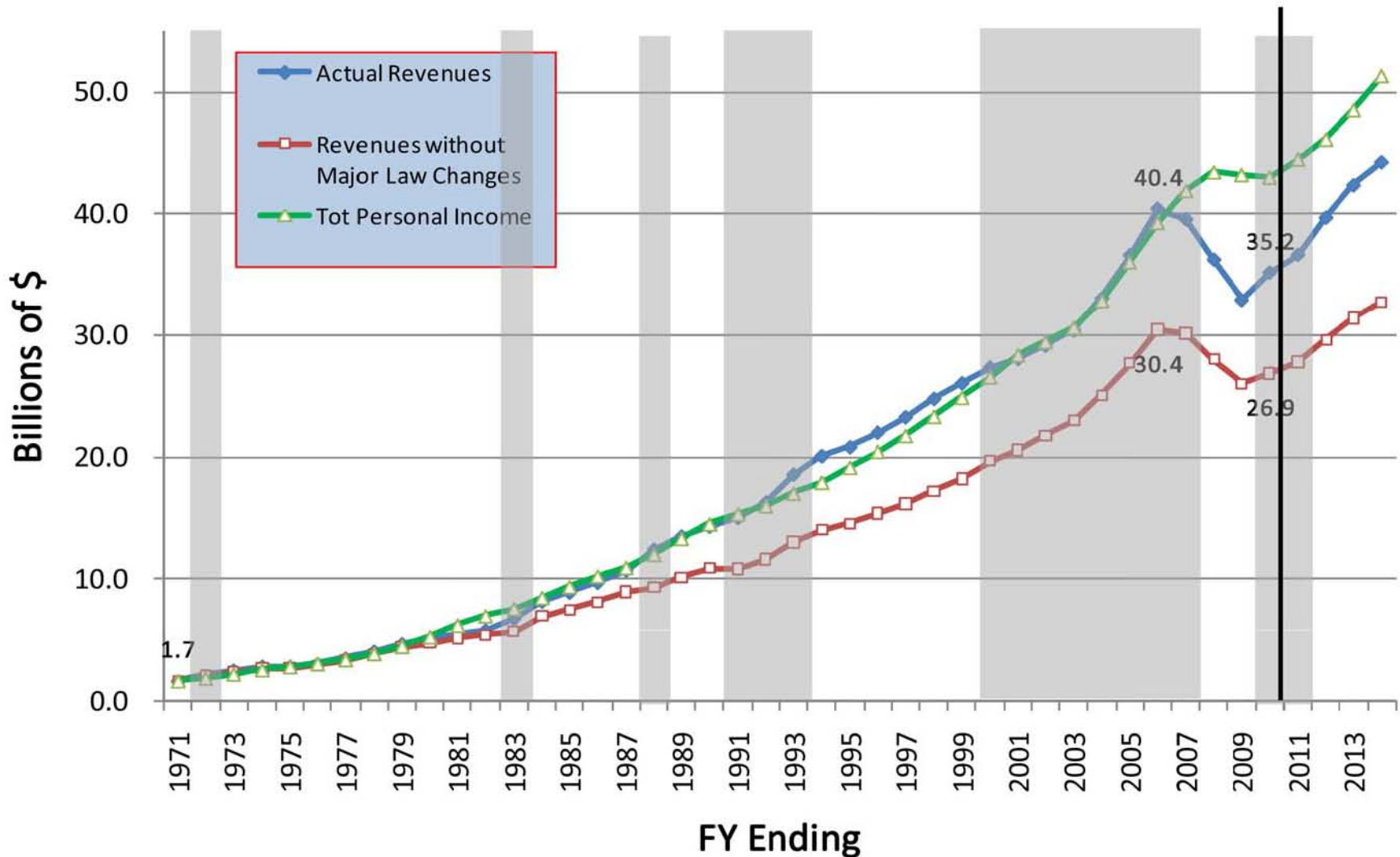


FLORIDA'S TAX & FEE SYSTEM DYNAMICS

- DYNAMIC #2: Changes in the Economic Activity From Which the System Draws
 - Population Growth
 - Population Composition
 - Inflation
 - Real Income per Capita Growth
 - Technology, Market Evolution, Spending Patterns
 - The Business Cycle

FLORIDA'S TAX & FEE SYSTEM DYNAMICS

Revenues Have Grown With the Economy (Mostly)



HOW FLORIDA COMPARES TO OTHER STATES

<u>State Tax Revenue (2009 data)</u>	<u>U.S.</u>	<u>South</u>	<u>Florida</u>	<u>Rank</u>
Per Capita	\$2,334	\$2,137	\$1,724	43
% of Personal Income	5.8%	6.0%	4.4%	46
<u>State and Local Tax Revenue (2008 data)</u>				
Per Capita	\$4,371	\$3,597	\$3,981	27
% of Personal Income	11.2%	10.3%	10.3%	37

Source: Federation of Tax Administrators

State and Local Tax Collections by Source (2008) (Percent of Total)

	<u>Property</u>	<u>Sales</u>	<u>Selective Sales</u>	<u>Individual Income</u>	<u>Corporate Income</u>	<u>Other</u>
U.S.	30.8%	22.9%	10.8%	22.9%	4.3%	8.2%
Florida	41.3%	31.2%	15.8%	n.a	3.0%	8.7%

Source: Federation of Tax Administrators

Questions?

Other Information

FLORIDA'S TAX & FEE SYSTEM DYNAMICS

- Major Law Changes
 - 1971-72: Corporate Income Tax enacted
 - 1982-83: Sales Tax rate increase from 4% to 5%
 - 1987-88:
 - Sales Tax on services enacted and repealed
 - Sales Tax rate increase from 5% to 6%

FLORIDA'S TAX & FEE SYSTEM DYNAMICS

- Major Law Changes (continued)
 - 1990-91, Major Increases in:
 - Gross Receipts Utilities Tax
 - Documentary Stamp Tax
 - Cigarette Tax
 - Alcoholic Beverage Tax
 - Intangible Personal Property Tax
 - Motor Fuel Tax and other transportation-related revenues
 - 1991-92: Documentary Stamp Tax rate increased

FLORIDA'S TAX & FEE SYSTEM DYNAMICS

- Major Law Changes (continued)
 - 1992-93:
 - Documentary Stamp Tax rate increased
 - Sales Tax rate increased on utility services purchased by businesses
 - Pollutants Tax rate increased
 - 1999-2000 through 2006-07, Various Tax Reductions:
 - Annual Intangibles Tax repeal
 - Estate Tax repeal
 - Alcoholic Beverage Surtax repeal
 - Numerous Sales Tax exemptions enacted

FLORIDA'S TAX & FEE SYSTEM DYNAMICS

- Major Law Changes (continued)
 - 2009-10:
 - Highway Safety Taxes & Fees increased
 - Tobacco Taxes increased
 - Unemployment Compensation Tax increased
 - Court Fees increased
 - 2010-11:
 - Unemployment Compensation Tax decreased
 - Film and Entertainment Credit expansion
 - Scholarship Funding Organization tax credit expansion

**Overview of Government
Revenue/Spending
Limitations**

Florida House of Representatives
Finance & Tax Committee
January 2011

OVERVIEW OF GOVERNMENT REVENUE/SPENDING LIMITATIONS

OUTLINE

- ✘ Florida's Current Revenue Cap
- ✘ Current Interest in Changing the Cap
- ✘ General Considerations
- ✘ Design Choices
- ✘ Final Observations

FLORIDA'S CURRENT REVENUE CAP

- ✘ Florida has had a constitutional state revenue limitation since 1994
- ✘ The cap has never been binding
 - + In 2008-09 the cap was \$16.1 billion above “revenues”
- ✘ There is no broad revenue or spending cap applicable to local governments presently

CURRENT INTEREST IN CHANGING THE CAP

- ✘ For several years there has been interest in making the state cap more binding and creating a limitation for local government
- ✘ Thus far, there have been some indications that this will be an issue considered in 2011
 - + No bills have been filed yet in either the House or the Senate

GENERAL CONSIDERATIONS

- ✘ The design of the cap will have very long-term implications.
- ✘ The *fundamental policy question*:
 - + How restrictive should the cap be? Or
 - + To what degree should revenues, and therefore spending, to be limited?

DESIGN CHOICES

- ✘ The combination of several design dimensions will determine how restrictive the cap is
 - + Definition of Revenue
 - + Growth Factor
 - + Base Year
 - + Ability to Override or Change the Limit

DESIGN CHOICES

- ✘ What should be done with revenues in excess of the cap?
 - + Put into a reserve fund
 - + Return to taxpayers
 - + A combination

FINAL OBSERVATIONS

- ✘ Local government caps are more complicated, in practice
 - + Data limitations
 - + Issues of flexibility are probably more important because of the wide range of situations in which local jurisdictions find themselves
- ✘ There may be other issues included in the proposal. For example:
 - + Super-majority votes or referenda required to increase taxes or create new taxes.