

November 2003

Successful Tax Amnesty Program Brings in \$160 Million: Increased Enforcement and Punitive Interest Rates (Twice the Prime Rate) Are Now In Effect

A four-month Tax Amnesty program ended on October 31, 2003, and it was a success, bringing in at least \$160 million and getting more than 55,000 additional taxpayers in the system at a low cost, both to the state and the taxpayer. Florida TaxWatch has been a long-time proponent of tax amnesties, supporting the recent one and recommending successful programs in the past.

In addition to the money brought in this year, it is estimated that getting more taxpayers on the rolls will bring in an additional \$17.1 million of revenue annually.

The 2003 Legislature enacted a tax amnesty program to create a one-time opportunity for noncompliant taxpayers to satisfy their tax liabilities and avoid criminal prosecution, penalties and some interest. Interest owed would be reduced by 25% to 50%, depending on whether taxpayers are already under audit or review by the Department of Revenue (DOR). Taxpayers under criminal investigation were not eligible. The legislature appropriated \$385,000 to implement the program, and it was expected to bring in \$75.3 million (\$66.7 in general revenue) in additional revenue during FY 2003-04.

The program has already netted \$160 million and collections are still being processed. The Department of Revenue (DOR) will not have a final number until sometime next month, but more money is certain. It is difficult to compare the \$75.3 million fiscal year estimate and the \$160 million counted so far. This includes money that DOR was already aware of and would have been collected anyway. But it is expected that the final numbers will at least meet the estimate of true “new money”. The Consensus Estimating Conference, meeting earlier this month to estimate state general revenue, decided not to change the amnesty estimate.

Although a breakdown will not be available for a while, it is likely that most of the money comes from the sales and use tax, followed by the corporate income tax and the communications services tax.

An extensive amnesty public information campaign by DOR helped get the word out. The department received over 13,000 telephone calls about the program and its amnesty website had 73,000 visits. In the end it reached 55,600 tax amnesty agreements.

Increased Enforcement and Punitive Interest Rates Are Now Here

Amnesties should be undertaken with the promise of some type of enhanced tax compliance and enforcement measures when the amnesty period is over. That is exactly what the state did this time. DOR has implemented an integrated tax-administration information system (SUNTAX) that gives it enhanced capabilities to discover unregistered and noncompliant taxpayers. It gives DOR the ability to make better audit selections and better target taxpayers.

Interest rates on tax delinquencies were increased on November 1. They rose from the adjusted prime rate to the adjusted prime rate plus four percentage points. It should be noted that Florida TaxWatch opposed the increase, instead recommending one or two points over prime. Because commercial lending rates are higher than prime, the prime rate may not be high enough to encourage delinquent taxpayers to pay up. However, four additional percentage points is just too high. The state already has penalties to serve as the “stick” for getting taxpayers to pay their taxes. The interest rate should not serve as an additional penalty. Adding four percentage points effectively doubles the old rate.

In addition, the interest the state must pay to taxpayers on late payments of tax overpayments was not changed, staying at the adjusted prime rate. This creates an inequity between taxpayers and the state.

Non-Compliant Taxpayers Still Have Ways to Pay Up and Save Money

For people that missed Tax Amnesty, there are ongoing DOR programs to help them settle their liabilities and save money. *Voluntary Disclosure* allows taxpayers to come forward on their own and after tax and interest is paid, penalties will be waived, unless tax has been collected and not remitted. In those instances, a 5% penalty will be assessed. This is available to anyone who has not been contacted by DOR concerning the liability.

The *Certified Audit Program* allows taxpayers to hire, at their own expense, qualified CPA firms to review their sales and use and local option tax compliance. As an incentive, penalties are waived and interest abated if tax is owed as a result of the audit. Additionally, except in cases of fraud or misrepresentation, the Department will not audit taxpayers for the same period or tax covered by the certified audit period. This is a cooperative effort between the Florida Department of Revenue and the Florida Institute of Certified Public Accountants.

Florida has run successful tax amnesties before. An amnesty for the intangibles tax was completed in 1987, and a comprehensive tax amnesty, as recommended by Florida TaxWatch, was held in 1988. A third program was held in 1992. These past amnesties generated additional revenue of \$46.9 million.

Many taxpayers who are not in compliance with tax laws may be unaware of all their obligations, and changing tax laws magnify the problem. Tax Amnesty gives these taxpayers a chance to come into voluntary compliance before the state takes steps to identify them.

Improving voluntary compliance is important because it is costly to pursue taxes not paid voluntarily. About 98% of all taxes are remitted voluntarily, but 70% of DOR’s General Tax Administration staff is employed to collect the other 2%.

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initially released before being printed in hardcopy format.**

About Florida TaxWatch

Florida TaxWatch is the only statewide organization entirely devoted to protecting and promoting the political and economic freedoms of Floridians as well as the economic prosperity of our state. Since its inception in 1979, Florida TaxWatch has become widely recognized as the watchdog of citizens' hard-earned tax dollars. The nationally distributed *City and State* magazine (now *Governing* magazine) published a poll of the nation's statewide taxpayer research centers. Based on this poll, the publication cited Florida TaxWatch as one of the six most influential and respected government watchdogs and taxpayer research institutes in the nation.

In recent years, news stories about Florida TaxWatch have run in all Florida newspapers, *The Wall Street Journal*, *The New York Times* and *The Washington Post* and *Fortune* magazine. In addition, Florida TaxWatch has been featured on the prestigious *MacNeil/Lehrer Newshour*.

Florida TaxWatch is a private, non-profit, non-partisan research institute supported by voluntary, tax-deductible membership contributions and philanthropic foundation grants. Membership is open to any organization or individual interested in helping to make Florida competitive, healthy and economically prosperous by supporting a credible research effort that promotes constructive taxpayer improvements. Members, through their loyal support, help Florida TaxWatch to bring about a more effective, responsive government that is accountable to the citizens it serves.

Florida TaxWatch is supported by all types of taxpayers -- homeowners, small businesses, corporations, professional firms, labor unions, associations, individuals and philanthropic foundations -- representing a wide spectrum of Florida's citizens.

Florida TaxWatch's empirically sound research products recommend productivity enhancements and explain statewide impact of economic and tax and spend policies and practices. Without lobbying, Florida TaxWatch has worked diligently and effectively to build government efficiency and promote responsible, cost-effective improvements that add value and benefit taxpayers. This diligence has yielded impressive results: through the years, three-fourths of TaxWatch's cost-saving recommendations have been implemented, saving taxpayers over \$6.2 billion (according to an independent assessment by Florida State University). That translates to approximately \$1,067 in added value for every Florida family.

With your help, we will continue our diligence to make certain your tax investments are fair and beneficial to you, the taxpaying customer who supports Florida's government. Florida TaxWatch is ever present to ensure that taxes are equitable, not excessive, that their public benefits and costs are weighed, and that government agencies are more responsive and productive in the use of your hard-earned tax dollars.

The Florida TaxWatch Board of Trustees is responsible for the general direction and oversight of the research institute and safeguarding the independence of the organization's work. In his capacity as chief executive officer, the president is responsible for formulating and coordinating policies, projects, publications and selecting the professional staff. As an independent research institute and taxpayer watchdog, the research findings, conclusions and recommendations of Florida TaxWatch do not necessarily reflect the view of its members, staff or distinguished Board of Trustees.

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