

# Briefings



May 2001

## **Estate Tax Phase-Out a Formidable Challenge to Florida's Budget: Initial Estimate Shows \$174.3 Million Impact In 2003**

This Briefing is an update of last week's May 2001 *Briefing* on the acceleration of the estate tax. When we went to press last week, the tax cut bill (H.R. 1836) had not yet gone to House and Senate Conference. Since then, the conferees have met, the bill has passed both houses and the President has signed new tax cuts into law.

The new law de-accelerates the phasing out of the estate tax from what, as we reported last week, the Senate version of H.R. 1836 originally had in mind. Initial estimates by the Florida Department of Revenue (DOR) suggest that the first-year "hit" on Florida General Revenues will not be as great as the Senate plan (\$460 million) would have allowed but still formidable -- \$174.3 million. Even without the acceleration, Florida's state budget could be hard-pressed if recent declining revenue growth continues. On the other hand, the estate tax phase-out alone results in a substantial state budget shortfall:

### **Revenue Impacts (\$millions) of the Phase-Out on Florida**

<b>Fiscal Years Ending</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
	(174.3)	(488.3)	(808.7)	(1,124.1)

Revenue declines, whatever their source, pose a threat to Florida's fiscal system, health and well-being. Nonetheless, there are several helpful actions that Florida budgeters can take in the face of shrinking budget resources:

 The Governor can continue to wield the budget turkey ax in the considerate and responsible manner he has heretofore in line-item vetoing member projects that haven't proven themselves in the budgetary process. The Legislature can **prospectively wield the budget turkey ax**, "nipping in the bud" the gosling turkeys before they become full-grown birds of contention in next year's budget.

 State budgeters can more aggressively seek out and implement substantial government cost savings. Florida TaxWatch has advocated in the past, and will continue to recommend, for the Governor and the Florida Legislature's consideration hundreds of millions of dollars of potential government cost savings and productivity improvements.

 The Governor and the Legislature can aggressively promote and thoughtfully initiate meaningful competition in the delivery of state services. Healthy competition between the public and private sectors, if fostered in a comprehensive, disciplined and accountable way, could result in millions of dollars of savings and higher quality of services. This would benefit all Floridians.

Budget shortfalls of the magnitude being projected are never good news. It is incumbent on all participants in the state budget process to gear up now and embrace meaningful alternatives to meet the challenge.

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