

# The Single Sales Factor:

## Transforming Florida's Corporate Income Tax to Encourage Capital Formation and Job Creation

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# Florida's Current CIT System

- CIT rate in Florida is 5.5%
- Adjusted federal income is apportioned to arrive at Florida taxable income
- Florida's current apportionment formula considers three factors: Sales (50%) property (25%), and payroll (25%)

## Proposal: 100% Sales Factor

The single sales factor (SSF) apportionment formula for the corporate income tax:

- A structural policy change that will boost Florida's long – run economic vitality;
- Addresses a rising competitive disadvantage faced by Florida.

## Benefit: Increased Investment and Jobs

- Removes the Tax Disincentive to Companies Investing and Creating Jobs in Florida
- Business Will Always Sell in Florida, But They Don't Have to Locate Here
- Empirical research indicates eliminating excise taxes on capital formation and jobs will stimulate investment by more than 2.00% and employment by 1.00% to 2.00%.



## Industry Effects:

- A potentially strong inducement to "production intensive firms."
- Potential for higher total tax revenues in the long-term.

Florida has already acknowledged the benefit of emphasizing sales in its apportionment factor

Florida chose a double-weighted sales factor when most states had a equally weighted three factor formula

As more states have moved to double weighted and single sales factors, Florida has lost its advantage and is increasing at a competitive disadvantage



## Other States

- By 2013 twenty of forty-five states will have some form of a single sales factor.
- California and Virginia have passed elective single factor legislation in 2009.
- Regional Competitors: Georgia, South Carolina, Virginia, Maryland, have single sales factor.
- Only ten states plus District of Columbia have equally-weighted three factor formula.



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