

Research Update

April 1999



Governor & Legislature Agree with both TaxWatch Task Forces as part of \$1 Billion Tax Reform / Reduction Plan

On April 15, when people were sending their tax money to Washington, the Tax Reduction Conference Committee of the Florida Legislature agreed to a compromise on a \$1.008 billion tax relief package the largest tax cut in Florida history. The Governor then held a press conference to endorse the plan.

Several key provisions of the package represent implementation of TaxWatch recommendations. The first is a major reduction in the intangibles tax, which the Governor and legislative leaders have pledged will be the first step in a total repeal. As was recommended by TaxWatch's Florida Intangibles Tax Task Force, the tax rate will be reduced to 1.5 mills and the phase-out of the tax on accounts receivable will continue. A Task Force recommendation on limited liability companies is also included.



Left to right, Intangibles Tax Task Force Members Representative Ken Pruitt, TaxWatch President Dominic Calabro and Senator Jim Horne listen as small business owner Ramona McKinnon discusses the merits of the report.

All are to be commended especially Senate President Toni Jennings and Senator Jim Horne for holding fast on the Task Force's position despite considerable support for the House plan which would have rolled back the rate by .25 mills and increase exemptions. Sen. Horne cited the work of the Task Force as a key reason to adopt the Senate plan.

Long-standing TaxWatch recommendations concerning the Taxpayer Bill of Rights/Tax Fairness are also included in this historic tax package. The statute of limitations on audits and refunds will be reduced from 5 to 3 years; interest will now be paid on late refunds; and interest of delinquent taxes will now be tied to the prime rate, not 12%. TaxWatch President Dominic Calabro was chairman of the legislatively created Taxpayers Bill of Rights Task Force which led to the creation of the statutory Bill of Rights in 1992. A constitutional amendment calling for a Taxpayer Bill of Rights was approved by over 90% of the electorate in November, 1992. The 1992 Legislature enacted all but these three major taxpayer rights above when they realized that the constitutional Taxation and Budget Reform Commission had voted to place the Taxpayer Bill of Rights on the November 1992 ballot. Florida TaxWatch has been working to get these additional rights added ever since.

The other provisions of the tax agreement are:

- ◆ A \$281.2 million reduction in local ad valorem (property) taxes for schools by rolling back the millage by .42 mills.
- ◆ A nine-day sales tax holiday for clothing up to \$100, saving taxpayers \$35 million.
- ◆ An \$187.0 million reduction in unemployment compensation taxes by reducing the rate 0.5%.
- ◆ A 33% reduction in the alcoholic beverage surcharge, saving \$37 million annually. TaxWatch will continue to work to have the remaining 2/3rds repealed in the near future.
- ◆ A one-year moratorium on new or increased school impact fees.

The plan also includes \$41 million for miscellaneous other tax exemptions that have yet to be decided. Several other TaxWatch recommendations are likely to be included with these as the 1999 General Session continues.

Florida TaxWatch commends the leadership of Governor Jeb Bush, Senate President Toni Jennings, House Speaker John Thrasher, Senate Fiscal Resource Chair Jim Horne, House General Appropriations Chair Ken Pruitt, House Finance and Tax Chair George Albright and all the other legislators that worked so hard to make the largest bipartisan tax reduction / tax reform package in Florida's history a reality.

This research update was written by Kurt R. Wenner, Senior Research Analyst under the direction of Dr. Keith G. Baker, Senior Vice President and Chief Operating Officer

Joseph P. Lacher, Chairman; Dominic M. Calabro, President and Publisher

© Copyright Florida TaxWatch, April 1999

For more information on this or any of our reports, please contact Florida TaxWatch at:

(850) 222-5052

OR

Florida TaxWatch

P.O. Box 10209

Tallahassee, FL 32302