



Senator George S. LeMieux
Chairman of the Board of Trustees

Dominic M. Calabro
President & Chief Executive Officer

Comments to the Honorable Bobby Payne, Chair, and members of the House Ways and Means Committee regarding PCB WMC 22-01 --- Taxation

My name is Dominic M. Calabro and I am President and CEO of Florida TaxWatch, an independent, nonpartisan, nonprofit, taxpayer research institute & government watchdog which, for over 42 years, has worked hard to improve the effectiveness, efficiency, and accountability of Florida government and promote a fair and equitable system of taxation.

Florida TaxWatch is an advocate and watchdog FOR taxpayers. We work to assure that taxes are fair and as low as reasonably possible, and strive to ensure that state expenditures are smart, transparent, and accountable. We commend the Legislature for its continuing commitment to reducing the burden on Florida's hardworking taxpayers, and your committee for proposing another tax relief package.

The package includes several provisions that are supported by Florida TaxWatch research. Our report, [*Supporting Sunshine State Shoppers*](#), details the many benefits of tax holidays. Exempting federal loans made during an emergency from the state documentary stamp tax was a recommendation of the [*Florida TaxWatch COVID-19 Taxpayer Task Force*](#). The targeted property tax relief to the residents of the condominium collapse in Surfside, as well as widows, widowers, blind, and permanently disabled persons, is the right thing to do.

However, we would like to highlight what we believe is a notable omission from the House tax package—**mitigating the impending large corporate income tax increase**. Florida TaxWatch commends the Legislature for attempting to make the federal corporate income tax changes as revenue neutral as possible through an automatic refund and rate reduction process. Despite these efforts, federal tax reform and Florida's response resulted in an effective tax increase for our state's corporations. **Even after the refunds and rate reduction, companies will have paid \$1.9 billion more from FY2018-19 through FY2022-23 than was forecast before the Tax Cut and Jobs Act was enacted.** This is despite COVID-19's negative impact on tax collections.

Now, with the CIT tax rate returning to 5.5 percent beginning with tax years beginning in 2022, that tax increase is going to become even more pronounced, since this rate will be applied to a larger tax base. It is now estimated that collections will be \$4.5 billion in FY2025-26, the first year with no remaining effects of the automatic refunds and rate reductions. Gross collections were never more than \$2.4 billion in any year before the TCJA.

Our report, [*Corporate Income Tax Issues for the 2022 Legislature*](#), urged the Legislature to eliminate or reduce the rate increase and address two issues that contributed to the unequal impact of the federal tax changes—Florida's treatment of qualified improvement property and like-kind (Section 1031) exchanges.

Florida TaxWatch also recommends the House include a reauthorization of the Qualified Targeted Industry Tax Refund Program in its tax package. QTI was the state's flagship economic development programs with [*proven results*](#).

We look forward to working with you and your colleagues on these and other tax issues this session. Thank you for your thoughtful consideration and, most of all, thank you and your family for your selfless public service to our state's taxpayers.