

Ideas in Action

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PERSISTENT MYTHS OF FLORIDA TAXATION

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Introduction

For many years, interested parties in the state of Florida have discussed and debated aspects of the Florida tax and revenue system in various forums. The subject has been addressed by the Constitution Revision Commission, the Tax and Budget Reform Commission, the Legislature, diverse other groups formed to study Florida Government, numerous academic studies and vast numbers of journalistic articles.

Despite these many studies, both official and unofficial, many common perceptions remain which are not supported by historic facts. These widely held, but not necessarily accurate, notions serve to cloud the debate concerning how best to meet foreseeable public needs; and, may actually impede efforts to more adequately provide for essential public services (as often advocated by those who espouse these well intentioned but inaccurate beliefs). This ironic result occurs not just due to the public popularity and political feasibility (or lack thereof) of these ideas or beliefs; but also due to expending too much time and energy debating proposals to "reform" the Florida tax system that will not solve the commonly perceived problems, some of which do not really exist. If the premises upon which supposed "reforms" are based are not correct, such proposed solutions to the real problems of funding Florida's future needs will not work. For this reason, the following discussion will refer to the "Persistent Myths of Florida Taxation," with the objective of clearing the debate of erroneous premises in order to find real workable improvements to the state's tax and revenue system.

Scope and Method

In order to keep this brief article within manageable limits, comparisons have been made to "representative states," as opposed to a complete analysis of and comparison to all of the other 49 States. The comparisons in this article are primarily to the three other "mega-states", California, New

York and Texas. However, in the course of doing the research for this article, applicable data for the other large states have also been reviewed for consistency, and when referring to national statistics and averages all states have been included.

The sources for this work are published data about state taxes provided by the U.S. Department of Commerce, Bureau of the Census, by Florida TaxWatch and by the Florida Consensus Estimating Conference. All of these sources are available to the general public. The author is indebted to Florida TaxWatch for guidance and advice in expediting the research. Responsibility for the conclusions and editorial comments and for any errors is my own.

Because of the disparities among the tax structures, rates, exemptions, etc. among the states, it seems reasonable to rely on information compiled by the Bureau of the Census for historical data regarding the taxes considered. Presumably the Bureau has used consistent standards for categorizing and collecting the data for all states during the period considered. It would be an insurmountable task within the time and space available for an article intended for general readership to comprehensively compare all exemptions, all local variations in tax rates, etc., for all 50 states. However, by using Census Bureau data for the subject taxes it seems reasonable to conclude that adequate patterns of tax collections can be perceived, subject to relatively minor technical variations.

In this regard, it became apparent that what the Census Bureau refers to as "selective sales taxes" should be considered together with "general sales taxes". The Bureau categorizes taxes on alcoholic beverages, amusements, insurance premiums, motor fuels, pari-mutuals, public utilities, tobacco and "other selective sales" (which vary from state to state) under the heading "Selective Sales Taxes". Although some of these items may be included under "General Sales Taxes" in some states (and although there may be 50 different legal definitions of each of these taxes), it seems reasonable to conclude for the purposes of this article that if all of these "general" and "selective" sales taxes are aggregated for each state a fairly accurate comparison can be made.

Wide variations also exist among state income taxes, but it is necessary to work with the data available without undertaking to compose an encyclopedia. Many if not most states model their personal or individual income taxes on the Federal income tax (as Florida does with the corporate income tax), with an almost infinite number of variations and details. In order to avoid complete frustration (and cause the reader's eyes to glaze over) it seems reasonable and necessary to indulge in certain generalizations, while recognizing that some technical adjustments would be required for complete and comprehensive accuracy. The author is satisfied that the information cited in this article is more dependable than the "myths" which are sought to be dispelled. It is submitted that these "myths" are largely based on folklore rather than fact.

Myth #1

Population and Inflation in Florida Have Grown More Rapidly Than Tax Revenues.

The grandfather of all demonstrably incorrect beliefs is the idea that taxes and other revenues available to the state of Florida have not kept pace with population growth and inflation. This belief is accepted

and expounded as received wisdom not only by journalists and commentators in the public debate, who perhaps may be excused for not doing their homework (on the assumption that an idea which is so widely held must be correct), but also by respected figures in the academic world (who should know better). Names are omitted here to avoid embarrassment.

As the Tables accompanying this article clearly illustrate (and as every reasonably well informed governmental staff person and graduate student knows) state tax and revenue receipts for the previous five, ten and fifteen year periods have exceeded population growth and inflation in Florida. The possible reasons why this and other "myths" covered by this article persist, and a discussion of some future trends, appear below.

Myth #2

Florida Has Experienced Greater Budgetary Problems Than Other States Due To The Existing Tax System.

The second most popular myth is closely related to the first. It is the belief that the present Florida tax and revenue system has produced disproportionate shortfalls during periods of economic contraction, compared to other representative states. An attempt is sometimes made to give this and the preceding myth a patina of pseudo - academic respectability by referring to these alleged phenomena as a "structural deficit." Like Myth #1, there is one thing wrong with this theory: it is not borne out by the facts.

Since tax and revenue collections are a function of economic activities, obviously the inflows from most sources will either be reduced or not grow as fast during periods of slow economic growth or contraction. This would be true of almost any tax system that can be contrived, with the possible short-term exception of dictatorial expropriation.

The real question, therefore, is how has Florida's tax system performed compared to the systems in other representative states? It is often asserted that the heavily consumer based tax system in Florida suffers disproportionately during periods of economic slow down, especially as compared to other states that have a personal income tax and are dependent thereon to a large extent to meet budget requirements.

It may be readily observed from reviewing the applicable data that although Florida, like all states, has failed to meet anticipated budgetary requirements during economic slow growth or recessionary periods, most other states which are dependent on tax sources not available in Florida, including the personal income tax, have had more severe budget balancing problems during the same periods.

Table II accompanying this article illustrates this fact most vividly. Of particular note are the states of New York and California, two of the three states with larger populations than Florida. Texas, the third State with a larger population than Florida also has no personal income tax. In proportion to their respective population and budget sizes, it is clear that the Florida system performed at least as well during economic downturns as the systems employed in these other states.

In particular, collections of state income taxes seem to contract at least as severely as collections of excise taxes during the same periods of reduced economic activity. Florida and other states have experienced reduced collections of consumption based taxes during such periods, but other large states dependent upon income taxes have experienced worse budget deficit problems due to lack of anticipated growth in income taxes. To illustrate this point, please refer to the very flat individual income tax collections in New York for the years 1990-1993 and in California for the years 1990-1994, as shown in Table II, as compared to sales tax collections for the same years in those states and in Florida and Texas. The same pattern can be noted in the other major states with personal income taxes.

Therefore, enactment of a personal income tax (whatever its benefits might be) would not seem to stabilize state tax collections during economic recessions or contractions. Based upon the available evidence, dependence on this source would be more likely to make the problem of budgetary shortfalls worse.

Myth #3

States with Personal Income Taxes Have Lower Consumer Based Taxes.

Another notion often floated by advocates of tax "reform" is that the sales and use tax and other consumer based excise taxes would be less burdensome if Florida had another major tax source available, such as the personal income tax. Unfortunately, for the advocates of this position, it is also not borne out by the facts.

In reality, other representative states with a personal income tax and in some cases other major tax sources, tend to have sales and other excise tax rates comparable to the rates in Florida. Thus, their citizens are paying such other taxes as well as similar sales and use tax rates at the same time. The real question here is the effective rate of taxation for the typical taxpayer, and especially for low and moderate income people. This is a very complex question due to the fact that no two states have their consumer based taxes structured in exactly the same way, either as to rates or as to exemptions. What is apparent is that no major state has as many broad and generous exemptions from these taxes as does the State of Florida.

While the "general sales tax rate" in Florida is the same as in California, it is lower than the rate in Texas. The general sales tax rate in New York is nominally lower, however a myriad of selective sales taxes in that state produces a significantly higher actual rate on many transactions than their "general" rate, as any visitor to New York can attest. (For example, New York City has a 4 1/2% local sales tax.) The same is true in California. To be balanced in this analysis, it should be noted that many Florida counties also have local option sales taxes at various rates. Per capita general sales tax collections in Florida appear to be higher than the average for the nation (about \$720 compared to an average of about \$475) until the very high numbers of part time Florida residents and visitors is taken into consideration. Most analysts estimate that about twenty percent (20%) of Florida general sales tax collections are paid by out of state residents. This adjustment reduces the per capita average for permanent residents to about \$576, but this figure is probably still too high for low and moderate income residents due to the exemptions discussed in the following paragraphs.

The Florida sales and use tax has more “liberal” (in both senses of the word) exemptions than most other states. Florida exempts food purchased in grocery stores (not restaurant meals), medical and hospital costs, long-term rentals and household utilities, among many other things, so the necessities of life which must be acquired by low and moderate income people (as well as others) are largely untaxed. Although gasoline is not exempt like other “necessities” for low and moderate income people, the Florida motor fuels tax is also not high by national standards. Therefore, which state’s system can be said to be more fair and equitable? There is little evidence to suggest that other states which are partially dependent upon major tax sources not now available in Florida impose less of a tax burden on low and moderate income citizens.

Myth #4

A Personal Income Tax Would Raise Florida’s Bond Ratings and Reduce Interest Costs.

Finally, we come to a more specialized “myth” that is of particular interest to the author. It is sometimes said that Florida’s tax and revenue system prevents the state from obtaining higher ratings on state full faith and credit bonds, which could result in lower interest rates. In other words, this theory holds that the state of Florida could save money by avoiding incremental interest costs if a different tax system were in place. Once again, it is often asserted that a personal income tax would give Florida higher bond ratings and, therefore, lower interest costs.

This is a very complex subject, many of the details of which are outside the scope of this article. Bond ratings are not determined solely or primarily upon the presence or absence of a particular tax or revenue source, but upon a combination of factors including the amounts of outstanding and projected borrowings, which puts “growth” states, with larger anticipated capital expenditures somewhat at a disadvantage. Also, market factors other than ratings significantly affect interest rates, so some state bonds with lower (or the same) ratings carry interest rates below bonds of other states with higher (or the same) ratings.

It is true that bonds issued in states that have personal income taxes and large investor bases attract lower interest rates than the same bonds would carry absent such taxes, but only if the interest on bonds issued in the state is exempted from that state’s income tax. (Florida, almost alone among the states, does not exempt interest on its state and local bonds from the existing corporate income tax.)

However complicated the subject, it is relatively easy to compare the state of Florida’s bond ratings to those of other representative states having different tax systems, including the personal income tax. The accompanying Table III shows that Florida’s general obligation bond ratings compare favorably to other “mega-states” and most other representative states.

Other factors tend to reduce interest rates on Florida bonds, such as the presence of a large in-state pool of capital available for investment in state and local bonds, with interest exempt from Federal taxation beloved by retirees; and the Florida intangible property tax which exempts most bonds issued in the state held by Florida residents.

Taking these factors and others into consideration, would a personal income tax which, unlike the existing corporate income tax, exempted the interest on Florida bonds have a favorable impact on state and local bond interest rates? Perhaps, but to a marginal extent; and, absent such an exemption, the state personal income tax would be a negative factor in determining interest rates. Since Florida personal investors presently pay no Florida income tax on their bond investments, an income tax (with an exemption for Florida residents of the interest on their Florida bonds) would provide little or no additional incentive to invest. If a hypothetical Florida income tax did not exempt interest on Florida bonds held by Florida residents, this would be a major negative factor by reducing the net yield to the Florida investors after taxes.

Tax Burden vs. Benefits

How equitable is the tax burden in Florida compared to the benefits received? In 1996, Florida TaxWatch published a study of this subject, which has not been widely disseminated or discussed in the general information media. The findings would probably be somewhat surprising to those who are convinced that the tax burden falls disproportionately on people who are least able to pay. The principal state-wide findings were:

Florida households that paid the least state and local taxes consist of unemployed single parents living in public housing with one or more schoolage children and no non-governmental source of income. These households also received the most state and local government social program benefits (primarily education, Aid to Families with Dependent Children and Medicaid).

Single or non-married homeowners with annual incomes of at least \$30,000 and without children received the least state and local government benefits and paid the most taxes.

Almost all "traditional households" (two-parent family with one or both parents working and one or more school age children under 18) and "modern households" (unmarried person or married person not living with spouse with one or more school age children under 18) receive more in governmental benefits, including education, than they pay in taxes. Households with children under six (non-school age) are net beneficiaries only if they receive AFDC and/or Medicaid. Very few childless single or double income, single or married couple households or persons of retirement age are net beneficiaries, because most do not receive education benefits or AFDC. Some additional thoughts about this subject follow.

Often overlooked by those wishing to emphasize the "regressive" nature of the Florida tax system is the intangible property tax. This is a direct tax on intangible assets, including unrealized capital gains not taxed by the Federal system, with a generous exemption so the tax applies only to Florida residents with substantial assets of this type. The tax applies regardless of the amount of income, if any, derived from the taxed assets (a stock may produce no dividends and still be taxed). This is clearly a tax only on the affluent. Incidentally, a good case can be made that it is unfair to retirees with relatively high asset holdings who are living on fixed incomes.

Is it true that Florida residents with relatively low incomes expend a larger percentage of their total incomes on state and local taxes than their higher income counterparts? Yes, this does appear to be true, but it is also true in virtually every other state, regardless of the tax system in place. This is due to the fact that higher income persons tend to have more after tax disposable income than lower income persons (which is like saying small children are more likely to fall off bicycles than off tricycles), not due to alleged inequities peculiar to the Florida tax system. This is also true of the Federal System, with about 40 percent of expenditures funded by the very regressive Social Security and Medicare taxes.

How burdensome are Florida taxes? Rather than imposing an undue hardship on the average citizen, in reality Florida taxes are relatively low. Based upon the most recent figures available, Florida ranks at 36 among the 50 states in total per capita State taxation, with an average per capita burden of about \$1,276, compared to a national average of about \$1,439. This includes the gross amount of the general sales tax.

As explained elsewhere in this article, the annual general sales tax per capita is somewhere between \$245 (gross) and about \$100 (net of payments by out of state residents) above the national averages. The national per capita average for personal income tax payments in states having such a tax is about \$453. These facts may help to explain why most Florida citizens, as opposed to editorial writers and government officials, are not clamoring for a radically revised state tax structure. Often, in a democracy, the common wisdom exceeds that of the intelligencia.

Why Myths Persist

Other than the perpetuation of “folklore”, which often takes on a life of its own, why do the viewpoints or beliefs addressed in this article continue to prevail among journalists, politicians and even some academics (when they are either demonstrably erroneous, or in some cases unsupported by the available data)? A few possible explanations may be hazarded, without too much fear of contradiction.

First, many things in life are conterintuitive, particularly against a background of “received wisdom” or folklore. People are often inclined to accept beliefs if such ideas seem plausible and are repeated frequently by respected sources. This is the most innocent explanation.

Second, it should come as no surprise to anyone reading this article that people in the public arena may have an agenda or objective in putting forward a position. Many of these propositions contain or mask an effort to persuade. For example, it seems fair to state that many people think that a graduated income tax is a good idea because it comports with their concept of tax “fairness” or “equity”. (The author is not saying that this idea is necessarily wrong but is merely attempting to posit possible motivations.)

There is an ingrained philosophical belief held by many people that certain other people should pay more taxes. This attitude is shared by the “rich” and “poor” alike, but is especially prevalent among those whose mission is to improve society through government. It is very tempting to support worthy objectives without closely examining the validity of attractive sounding propositions that are supposed to help achieve these objectives.

Third, people in government (where the author proudly served for several years), and their clients or constituency groups tend to want more money for their programs to better serve perceived public needs, to more amply compensate their staffs, etc. It is indisputable that resources may not always be adequate for some important public services and that compensation levels for some areas of public employment are relatively low. It is not the author's objective to gainsay these feelings or attitudes, but only to suggest the susceptibility of public officials to arguments in favor of higher funding levels, regardless of the intrinsic merits or demerits of a specific proposed or existing tax.

Finally, it must be concluded that many advocates of changes in the Florida tax system hope to persuade the electorate that major new tax sources are needed by attacking alleged shortcomings of the present system, instead of facing the issue squarely by saying that state and local governments will need more money in the future (admittedly not a highly palatable formula for public consumption and electoral success).

Conclusion

The reality is that the present Florida tax systems has performed better than critics often maintain. It also appears that abundant additional funding can be found to meet Florida's public needs without a radical restructuring of the present system. The latter would be the subject of another article of at least equal length. It is the author's belief that persistent efforts to convince the public to adopt unpalatable tax proposals, which lack a sound factual foundation, have actually deterred more practicable means to address the state's future funding needs. The cherished "myths" discussed in this article, based on folklore and policy predispositions, have obscured and impeded other potential approaches to address Florida's public needs which would be easier to achieve and would produce at least as good results.

The elusive chimera of a personal income tax actually stands in the way of progress. Social engineering should be replaced with workable solutions. Many well intentioned "leaders" in the public sector, in the academic world and in the information media are convinced that Florida needs substantial tax "reform" (usually defined, but seldom loudly articulated, as a personal income tax). Commissions have been established in order to enact such "reforms" and avoid a direct vote by elected officials. To date, these efforts have not been successful.

Until the advocates of tax "reform" abandon the "myths" discussed in this article as the basis for changing the Florida tax system, the people of Florida are likely to remain unpersuaded. The prevailing skepticism of most voters about the need for or benefits of a personal income tax in Florida is not necessarily wrong. The "myths" are wrong, and people are less likely to be convinced by unsound arguments. If there is a legitimate need for increased public funding in certain areas, this case should be made on the merits; not on the basis of the mythological advantages of "tax reform."

Table I
Florida Population, Inflation and Personal Income
FY 1977-1998

| Fiscal Year | Population (millions) | Growth | CPI (1) | Growth | Population x Inflation (2) | Personal Income (billions) | Per Cap PI |
|-------------|-----------------------|--------|---------|--------|----------------------------|----------------------------|------------|
| 1977 | 8.873 | | 58.71 | | | 57.476 | 6,478 |
| 1978 | 9.094 | 2.49% | 62.64 | 6.69% | 9.35% | 66.053 | 7,263 |
| 1979 | 9.375 | 3.09% | 68.51 | 9.37% | 12.75% | 76.931 | 8,206 |
| 1980 | 9.669 | 3.14% | 77.63 | 13.31% | 16.87% | 89.057 | 9,211 |
| 1981 | 10.039 | 3.83% | 86.63 | 11.59% | 15.86% | 103.239 | 10,284 |
| 1982 | 10.364 | 3.24% | 94.12 | 8.65% | 12.16% | 115.082 | 11,104 |
| 1983 | 10.616 | 2.43% | 98.15 | 4.28% | 6.82% | 123.777 | 11,659 |
| 1984 | 10.903 | 2.70% | 101.75 | 3.67% | 6.47% | 137.539 | 12,615 |
| 1985 | 11.237 | 3.06% | 105.80 | 3.98% | 7.17% | 151.490 | 13,481 |
| 1986 | 11.571 | 2.97% | 108.90 | 2.93% | 5.99% | 164.689 | 14,233 |
| 1987 | 11.914 | 2.96% | 111.40 | 2.30% | 5.33% | 178.122 | 14,951 |
| 1988 | 12.247 | 2.80% | 115.90 | 4.04% | 6.95% | 195.484 | 15,962 |
| 1989 | 12.571 | 2.65% | 121.30 | 4.66% | 7.43% | 216.122 | 17,192 |
| 1990 | 12.869 | 2.37% | 127.00 | 4.70% | 7.18% | 234.025 | 18,185 |
| 1991 | 13.132 | 2.04% | 134.00 | 5.51% | 7.67% | 247.052 | 18,813 |
| 1992 | 13.361 | 1.74% | 138.30 | 3.21% | 5.01% | 255.256 | 19,105 |
| 1993 | 13.585 | 1.68% | 142.60 | 3.11% | 4.84% | 269.017 | 19,803 |
| 1994 | 13.777 | 1.41% | 150.50 | 5.54% | 7.03% | 294.419 | 21,370 |
| 1995 | 14.100 | 2.34% | 154.40 | 2.59% | 5.00% | 315.592 | 22,382 |
| 1996 | 14.334 | 1.66% | 158.50 | 2.66% | 4.36% | 355.080 | 23,377 |
| 1997 | 14.591 | 1.79% | 162.80 | 2.71% | 4.55% | 355.148 | 24,340 |
| 1998 | 14.850 | 1.78% | 167.60 | 2.95% | 4.78% | 378.124 | 25,463 |

Source: Florida TaxWatch and The Florida Consensus Estimating Conference, April 1997

Notes to Table I: The assumptions used in compiling this table were very conservative. (1) Most authorities have concluded that the present CPI overstates inflation, somewhere between .3 of 1% and 1.1%. (2) Statisticians advise that the "correct" method is to combine population and inflation by multiplying one factor times the other. Non-statisticians would be inclined to add the two factors together.

Table II
Major Tax Sources for "Mega-States"
1981-1996
(millions - all figures rounded)

| Years | Florida | | Texas | | New York | | | California | | |
|-------|----------------|----------------|----------------|----------------|----------------|----------------|---------------|----------------|----------------|---------------|
| | Gen. Sales Tax | Sel. Sales Tax | Gen. Sales Tax | Sel. Sales Tax | Gen. Sales Tax | Sel. Sales Tax | Ind. Inc. Tax | Gen. Sales Tax | Sel. Sales Tax | Ind. Inc. Tax |
| 1996 | 11,429 | 3,811 | 10,811 | 6,412 | 6,963 | 4,950 | 17,399 | 18,980 | 5,112 | 20,760 |
| 1995 | 10,657 | 3,670 | 10,275 | 6,162 | 6,845 | 4,929 | 17,589 | 17,687 | 4,933 | 18,344 |
| 1994 | 10,042 | 3,509 | 9,926 | 5,941 | 6,365 | 5,231 | 16,034 | 16,872 | 4,594 | 17,548 |
| 1993 | 9,295 | 3,425 | 9,142 | 5,361 | 6,283 | 5,026 | 15,300 | 16,672 | 4,903 | 17,200 |
| 1992 | 8,326 | 3,051 | 8,576 | 5,034 | 6,006 | 4,653 | 14,913 | 14,925 | 4,624 | 17,030 |
| 1991 | 8,139 | 2,746 | 8,295 | 4,582 | 5,752 | 3,934 | 14,482 | 14,340 | 4,382 | 16,817 |
| 1990 | 8,191 | 2,386 | 7,625 | 4,220 | 6,003 | 3,365 | 15,289 | 13,627 | 3,643 | 16,824 |
| 1989 | 7,638 | 2,241 | 6,947 | 4,015 | 5,750 | 2,914 | 13,844 | 12,732 | 3,473 | 15,815 |
| 1988 | 6,863 | 2,260 | 6,271 | 4,005 | 5,511 | 2,868 | 13,569 | 11,515 | 3,029 | 12,864 |
| 1987 | 5,478 | 2,110 | 4,601 | 3,515 | 5,098 | 2,778 | 12,477 | 10,935 | 2,824 | 13,874 |
| 1986 | 5,027 | 2,035 | 4,328 | 3,342 | 4,761 | 2,718 | 11,582 | 10,406 | 2,617 | 11,368 |
| 1985 | 4,249 | 1,829 | 4,245 | 3,367 | 4,229 | 2,682 | 10,395 | 9,682 | 2,422 | 11,762 |
| 1984 | 3,981 | 1,750 | 3,804 | 2,579 | 3,900 | 2,779 | 9,374 | 8,787 | 2,290 | 9,238 |
| 1983 | 3,334 | 1,462 | 3,320 | 2,351 | 3,532 | 2,196 | 8,276 | 7,767 | 2,186 | 7,649 |
| 1982 | 2,784 | 1,406 | 3,481 | 2,216 | 3,197 | 2,035 | 8,034 | 7,721 | 1,951 | 7,468 |
| 1981 | 2,543 | 1,366 | 2,994 | 2,033 | 2,965 | 1,849 | 6,612 | 7,262 | 1,944 | 6,589 |

Source: U.S. Department of Commerce, Bureau of the Census.

Table III
General Obligation⁽¹⁾
Bond Ratings of Major States

| <u>States</u> | <u>Moody's</u> | <u>Standard & Poor's</u> |
|------------------------|----------------|------------------------------|
| California | A1 | A+ |
| New York | A2 | A- |
| Texas ⁽²⁾ | Aa | AA |
| Florida ⁽²⁾ | Aa | AA |
| Pennsylvania | A1 | AA- |
| Illinois | Aa3 | AA- |
| Ohio | Aa1 | AA+ |
| Michigan | Aa | AA |
| Massachusetts | A1 | A+ |
| New Jersey | Aa1 | AA+ |

⁽¹⁾ Pledge the State's full faith and credit and taxing power

⁽²⁾ No State Personal Income Tax. As shown by this table, the two "mega-States" without a personal income tax have higher ratings than the other two "mega-States" having such a tax. Of the other six major population States only two non-growth States have marginally higher ratings than the two States without a Personal Income Tax.

About the Author

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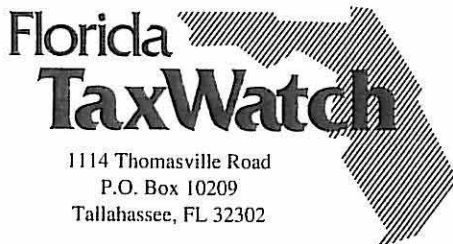
About Florida TaxWatch

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 (purchased by *Governing* magazine) in 1989 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.

Florida TaxWatch is a private, non-profit, non-partisan research institute supported entirely 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 \$5 billion. That translates to approximately \$875 in added value for every Florida family.



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