

Florida TaxWatch

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Twenty Years of Building A Better Florida

Florida TaxWatch

1999 Annual Report

Florida TaxWatch

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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.

In recent years, news stories about Florida TaxWatch have run in all Florida newspapers, *The Wall Street Journal*, *The New York Times* and *The Washington Post*. In addition, Florida TaxWatch has been featured on the prestigious *MacNeil/Lehrer Newshour*.

Florida TaxWatch is a private, non-profit, non-partisan research institute supported 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 impacts 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 \$6.2 billion (according to an independent assessment by Florida State University). That translates to approximately \$1,067 in added value for every Florida family.

With your help, we will continue our diligence to make certain your tax investments are fair and beneficial to you, the taxpaying customer who supports Florida's government. Florida TaxWatch is ever present to ensure that taxes are equitable, not excessive, that their public benefits and costs are weighed, and that government agencies are more responsive and productive in the use of your hard-earned tax dollars.

The Florida TaxWatch Board of Trustees is responsible for the general direction and oversight of the research institute and safeguarding the independence of the organization's work. In his capacity as chief executive officer, the president is responsible for formulating and coordinating policies, projects, publications and selecting the professional staff. As an independent research institute and taxpayer watchdog, the research findings, conclusions and recommendations of Florida TaxWatch do not necessarily reflect the views of its members, staff or distinguished Board of Trustees.

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Letter from the Chairmen and President

November 1999:

Dear Fellow Taxpayers:

As Florida TaxWatch concludes its second decade of service, its many accomplishments provide a sound precedent for responding to the demands of the new millennium. In addition to our regular research, summarized on the pages that follow, we want to call your attention to several special projects that were completed during 1998-99:

- A gubernatorial transition handbook, developed in cooperation with several other organizations to help the new Bush Administration sort, organize and thoughtfully consider decisions during the Pre-Inauguration period, the Inauguration and first legislative session, and the first full fiscal year of governing.

- Highly effective work by a second Florida TaxWatch Intangibles Tax Task Force, chaired by TaxWatch's immediate past chairman David McIntosh. The Task Force's recommendations to the Florida Legislature resulted in substantial taxpayer benefits, including the tax rate being reduced from 2.0 mills to 1.5 mills with a dedicated commitment to phase out and repeal the recurring portion of Florida's intangibles tax over the following three years.

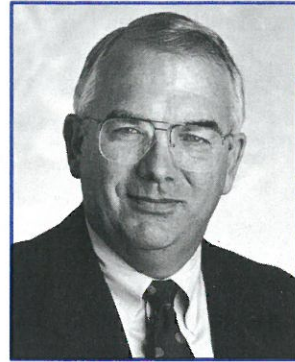
- A report by the Florida Taxpayers Bill of Rights Task Force that helped enact legislation to reduce the statute of limitations on taxpayer audits from five to three years; provide taxpayers interest on late refunds from the state; and tie interest on delinquent taxes to the prime rate, not 12%.

- Phase-two of a project with the Florida School Boards Association and the Department of Education to provide "best practice" policy options and the development of pilot programs for privatization/competition of non-instructional public school services.

Building on its past 20 years of accomplishments, Florida TaxWatch will actively engage the relentless challenges of the competitive and fast-paced global economy. Looking to the future, we are adopting a multifaceted and dynamic strategy:

The TaxWatch 2000 capital fund campaign of \$6 million sets the stage for strengthening and positioning Florida TaxWatch for a financially sound future through investments in research, communications, membership expansion and local/regional government outreach services.

Increasing taxpayer understanding and civic participation in their state/local government and a successful capital fund drive will enable TaxWatch to be an even more effective and responsive watchdog and constructive taxpayer think tank. All Centers will be jointly staffed, and some jointly ventured or strategically allied, with Florida's public and private universities. Center resources and TaxWatch's ability to attract the best



Joseph P. Lacher
Chairman



T. O'Neal Douglas
Chairman-Elect



Dominic M. Calabro
*President and
Chief Executive*

Letter from the Chairmen and President

minds and talents in the State will be further strengthened through an expanded Senior Research Fellows Program. Two centers which were launched and are getting good taxpayer results are:

- A Center for a Competitive Florida focusing on the ability of Florida's tax structure to meet the changing conditions of economic competition, emergent technologies and government regulatory policies.

- A Center for Local Government Improvement and Accountability providing strategic support to Florida's local and regional governments on issues of taxation, budgeting, governance, management and public policy analysis, and help them to prioritize their service deliveries and improve accountability.

Other relevant centers are being planned in the coming two years.

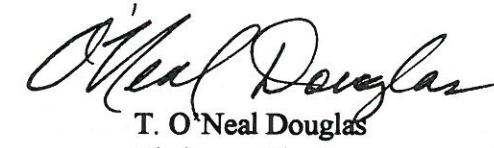
We are especially excited about building on the past successes of our Davis Productivity Awards program. A special thanks goes to Lt. Governor Frank Brogan for chairing the 1999 Awards program. As reported last year, an Innovation Transfer initiative is now communicating achievements that can be implemented by others in state government. Toward that end, 200 achievements from the 1999 DPA competition with potential cumulative added value of more than \$200 million are being transmitted to Governor Jeb Bush, the House Speaker and Senate President for statewide implementation. Their compilation for a publication and for a symposium on productivity improvements for state managers and staff is planned for early next year. Similar performance-based awards programs are being planned for the Community College System and selected local governments.

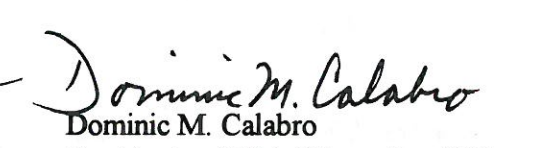
Building on TaxWatch's success as an independent, nonpartisan watchdog for individual and business taxpayers, we are expanding our ability to communicate with current and prospective members and with Florida taxpayers generally. Our newly upgraded Internet Web site already is helping us disseminate our research throughout Florida and beyond. Expanded e-mail capabilities likewise are opening new channels of communication at minimal expense.

Clearly, none of Florida TaxWatch's past nor its future accomplishments would be possible without the unflagging support of our members. With your continued support and thoughtful insights, we can work together toward building the better Florida that you and your fellow taxpaying citizens deserve.

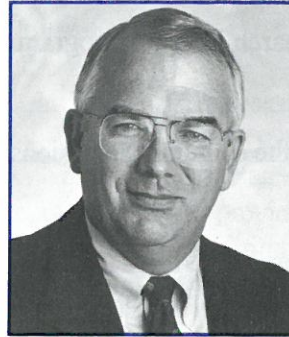
Respectfully,


Joseph P. Lacher
Chairman


T. O'Neal Douglas
Chairman-Elect


Dominic M. Calabro
President and Chief Executive Officer

Executive Committee



Chairman
Joseph P. Lacher
President, Florida Region, Bellsouth



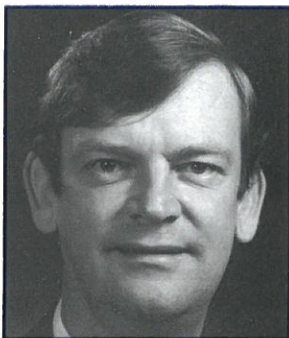
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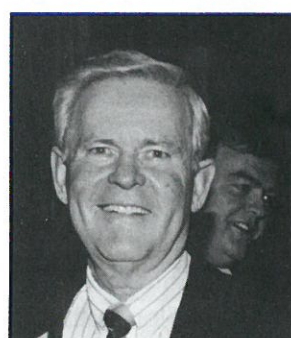
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Dominic M. Calabro
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STATE OF FLORIDA
Office of the Governor
THE CAPITOL
TALLAHASSEE, FLORIDA 32399-0001

November 1, 1999

Dear Fellow Taxpayers:

It is my pleasure to congratulate Florida TaxWatch for 20 years of outstanding service to the residents of our state.

Your organization is a testament to democracy in action. With constructive ideas and vision, you bring a value-added difference to the lives, health, and prosperity of all Floridians. Your efforts to safeguard the long- and short-term interests of the residents of Florida are unprecedented in our state.

I look forward to a strong and prosperous partnership between my administration and Florida TaxWatch. Many thanks for your 20 years of committed and invaluable efforts.

Sincerely,
Jeb Bush
Jeb Bush

JB/hss

CONNIE MACK
FLORIDA

United States Senate
WASHINGTON, DC 20510-0904

November 30, 1999

Mr. Dominic M. Calabro
President & Chief Executive Officer
Florida TaxWatch
P.O. Box 10209
Tallahassee, FL 32302

Greetings:

It is my pleasure to commend Florida TaxWatch for another year of exceptional service to the citizens of our great state. As government watchdog on taxing and spending issues, you continue to do an outstanding job in providing sound advice and constructive research to our state's lawmakers.

Florida TaxWatch's dedication to serve as the protector of Floridians' tax dollars is commendable, and its efforts to promote economic self-sufficiency for all Floridians are admirable. Additionally, you are to be applauded on your efforts to improve public awareness and citizen understanding of state government.

Thank you for your part in building a better Florida and congratulations on 20 years of outstanding and distinguished service.

Sincerely,
Connie Mack
Connie Mack
United States Senator

CM:gmw

BOB GRAHAM
FLORIDA

United States Senate
WASHINGTON, DC 20510-0903

November 1, 1999

Dear Friends:

Congratulations to Florida TaxWatch for being a respected partner of Florida state government for two decades. Your organization has provided leadership for a commonsense approach to formulating tax policy and can be credited for saving taxpayers billions of dollars.

Throughout your twenty years of service to the taxpaying citizens of Florida, I have observed many specific and instructive ways you have helped to guide our state government. It has been a privilege to be the recipient of the advice and guidance of Florida TaxWatch.

Best wishes to Florida TaxWatch for continuing excellence and success in protecting taxpayers' wallets and checkbooks. The citizens of our state are fortunate to have the services of this cost-saving government research institute.

With kind regards,

Sincerely,
Bob Graham
United States Senator

BG/mkw

Throughout the past year, particularly during the 1999 Legislative Session, Florida TaxWatch's research activities brought attention to issues that affect Florida's taxpayers and businesses. In many cases, it was Florida TaxWatch's timely, accurate research that enlightened the public and properly educated decision makers, helping them to make more informed choices on behalf of Florida taxpayers. Some of these hard-won victories were the culmination of a process that began in previous years, whereas others reflect more recent initiatives.

Senior Research Fellows

Assisting TaxWatch with its research agenda and evaluation of Davis Productivity Awards nominations are eight Senior Research Fellows. Each Fellow is a prominent scholar or professional of national repute, chosen for his public policy analysis and evaluation expertise in the areas of state and local government accountability, finance and taxation. Current Fellows include:

- Dr. John Lombardi, Fellows Chair and Co-Director, Center for Studies in the Humanities & Social Sciences, University of Florida and Past President, University of Florida
- Dr. Roger Kaufman, Fellows Vice Chair and Director, Office of Needs Assessment and Planning, Florida State University; Associated with the faculty in Industrial Engineering, University of Central Florida; and Research Professor, New Jersey Institute of Technology/Newark College of Engineering
- Dr. Lance deHaven-Smith, Professor, Askew School of Public Administration and Policy and Associate Director, Florida Institute of Government, Florida State University
- Mr. Arnold Greenfield, Attorney; former Director of the Florida Division of Bond Finance; Lecturer, Askew School of Public Administration and Policy, Florida State University
- Dr. Arnold A. Heggstad, Holloway Professor of Finance and Entrepreneurship, Warrington College of Business Administration, University of Florida
- Dr. Craig E. Reese, Professor of Accounting/Taxation, Department of Business Administration, St. Thomas University
- Dr. Bernard Sliger, Director, Gus A. Stavros Center, Florida State University; Past President, Florida State University
- Dr. Henry Thomas, Chairman, Department of Political Science & Public Administration, University of North Florida

Briefings

These condensed reports cover a variety of issues which concern Floridians.

*** Sales Tax Exemption for Repair of Equipment is a Positive Step in the State's Effort to Promote Florida's Lagging Manufacturing Sector**

Diversifying Florida's economy is important. A healthy manufacturing sector which produces high wage jobs can help the state decrease its dependency on any one industry. Florida TaxWatch concluded that legislation granting this exemption can provide another positive step in the direction of increasing the competitiveness of Florida manufacturing and realizing the attendant economic benefits.

*** Health Care Insurance Mandates: Good Intentions/Bad Outcomes**

Florida TaxWatch recommended that further research be undertaken to determine the true costs to Florida and its citizens of the state's seemingly random practice of adding to the already lengthy list of state-mandated health insurance benefits. A comprehensive matching of their full cost-versus benefit-consequences is overdue and clearly warranted.

*** Water Management District Continues to Draw Concern of Auditor General**

As a follow-up to a 1997 *Research Report*, this *Briefing* found that the South Florida Water Management District is still in need of changes. Legislative review of key SFWMD projects should continue with an emphasis on those activities outlined by the Auditor General's report as well as on ongoing review of the district's efforts in the Everglades Construction Project. The district should make it a priority to correct faulty procedures and enact policies which will lay the groundwork for future decisions that are practical, credible and based on sound financial management and administrative practices.

*** Can Limited Government Intervention Improve Market Competition?**

Florida TaxWatch recommended that the systemic components of PB² prescribed by the Legislature, as well as being operationally defined by OPPAGA as necessary, be operationalized by all state government agencies forthwith.

*** Constitutional Amendment Seven Deserves A YES Vote**

In this *Briefing*, Florida TaxWatch endorsed Amendment Seven to fulfill a promise made in 1972 but never fully implemented by the Legislature. It relieves counties of \$200 million a year in current expenses, an especially heavy burden for small counties. This revision also allows voters to decide in 2000 whether to retain the current system of directly electing their Circuit and County Court Judges, or to adopt a merit selection alternative which would replicate the practice currently used to select state District Court of Appeals Judges and Justices of the Supreme Court.

*** Constitutional Revision 10: Local and Municipal Property Tax Exemptions and Citizen Access to Local Officials Deserves the Voters' Approval**

This *Briefing* endorsed public approval of Constitutional Revision 10 addressing local and municipal tax exemptions and increasing citizens' access to local officials. The amendment seeks to reduce confusion among officials as to whether they are permitted to talk to a constituent about a particular topic.

*** Alleged Non-Controversial Revision 13 Carries Hidden Issue of Which Taxpayers Should be Aware**

This *Briefing* suggested that Florida voters reject Revision 13, which provided for increasing the time between meetings of the constitutionally established Tax and Budget Reform Commission from 10 to 20 years. Extending the time between meetings of the Commission may have been a not too subtle way of reducing its prestige *vis-a-vis* the Constitutional Revision Commission, which meets every 20 years to initiate comprehensive dialog and review to amendment of our constitution.

This *Briefing* called for the Legislature to revisit the benign aspects of the revision in the 1999 Session, including a basic shortcoming of the Tax and Budget Reform Commission's operations and voting procedures.

BudgetWatch

This annual series focuses on state budget issues and appropriations.

*** Governor Bush Proposes \$46 Billion Budget and Tax Cuts**

This *BudgetWatch* reviewed Governor Jeb Bush's first proposed state budget and showed there was a 6.6% overall increase compared to 1997-98 spending, with General Revenue up 5.7%. While no tax increases were recommended, post-secondary tuition and fees were recommended to increase \$58.5 million.

*** State Economy Sets Stage For 1999 Legislative Session**

This *BudgetWatch* summarized the state's economic position and revenue forecasts, and provided details on Governor Bush's \$1 billion plus tax-cut proposal. The proposal included intangibles tax savings, local school property tax relief, a one-time rebate of state taxes via a reduction in residential electricity billings, a reduction in unemployment compensation tax rates and taxpayer bill of rights improvements. The proposal was to be considered against a backdrop of seven-and-a-half years of economic expansion, the second longest on record.

Ideas in Action

This annual series provides an opportunity for expression of ideas, positions and opinions by business and community leaders in Florida and other states, legislators and government managers, and concerned citizens.

*** Florida's Teacher of the Year says Students Must Use the "Power of Knowledge" to Compete**
by Grace Williams

*** Revision #7: Closing the Loophole!**
by John Smith
Florida Association of Counties

*** Twenty Years Too Long a Period Between Examinations of Critical Tax and Budget Issues**
by Dr. Henry Thomas
Florida TaxWatch Senior Fellow

*** Consideration of Some Proposals by the Constitution Revision Commission**
by Arnold Greenfield
Florida TaxWatch Senior Fellow

FOCUS Newsletter

Florida TaxWatch's monthly newsletter keeps readers apprized of current issues in Florida and around the nation. Member news and upcoming TaxWatch events also are highlighted on a regular basis. Articles in the 1998-99 newsletter included:

- * Tax Burden Changes Across America
- * Florida TaxWatch 19th Annual Meeting December 10, 1998 in Orlando
- * Florida TaxWatch and The Florida Council of 100 Sponsor Davis Productivity Awards 10th Anniversary Banquet
- * In Memoriam: Lawton M. Chiles
- * Governor Bush Proposes \$46.8 Billion State Budget and \$1.235 Billion Tax Cut
- * A Reflection on Florida TaxWatch Co-Founder and Chairman Emeritus's Notable & Vibrant Career
- * Florida Taxpayers Begin Celebration of Florida TaxWatch's 20th Anniversary at 1999 Spring Board Meeting
- * Florida Legislature Passes Largest Tax Cut in State History- Governor Pledges to Sign Bill into Law
- * Florida Governor Logs Record Number- 80% - of TaxWatch-Tagged Budget Turkeys
- * Congratulations to Barbara K. "Babs" Taff on her 20th Anniversary with Florida TaxWatch
- * Florida TaxWatch Advocates Bolstering Reserves During Economic Good Times

Research Reports

Research reports are the core work product of Florida TaxWatch staff on tax and spend issues, government accountability and other issues of interest and concern to Floridians.

*** 1999 Legislative Scorecard**

This *research report* reviewed 1999 legislative action on issues examined by Florida TaxWatch, including changes to the Intangibles Tax law and Taxpayer Bill of Rights/Tax Fairness; reductions in local property, unemployment, and alcoholic beverage taxes; exemptions for repair of manufacturing equipment and phosphate and other mining operations; and changes to the battery tax law. The report summarized taxpayer and fiscal issues that passed and failed to pass, and it listed issues in need of review in future legislative deliberation.

*** 1999 Turkey Watch Report**

Florida TaxWatch considered nearly 1,000 individual projects in the 1999-2000 state budget as potential turkeys. TaxWatch found that the 1999 Legislature generated 526 budget turkeys valued at \$234.7 million out of a total budget of \$48.9 billion. Of the total appropriated for budget turkeys, 291 worth \$129.7 million were found in General Revenue and 235 worth \$105.0 million were found in trust funds. This year's budget turkeys cost \$39.12 for each Florida family, and cost every man, woman and child in Florida \$15.65. Governor Jeb Bush acted responsibly and vetoed 415 items, 80% of the items identified by Florida TaxWatch, for a total of \$159 million (70% of the amount identified by TaxWatch).

Of significance this year is the uncontrolled use of Tobacco Settlement funds. Florida TaxWatch identified more than 150 items (\$90.0 million) funded from tobacco funds in the Departments of Children and Families, Health, and Elder Affairs. While initially considered as "potential turkeys," only those tobacco-funded items appearing exclusively in the Conference Report are identified in the report as turkeys. The other tobacco funded items were potential turkeys because they appeared to violate funding guidelines prescribed by Florida law.

*** 1999 Florida Taxpayer Independence Day**

Florida Taxpayer Independence Day (May 6, 1999) fell one day earlier than in 1998 and 1997. Although the deadline for paying your taxes to the IRS was April 15, the average Floridian did not earn enough to pay his or her total tax bill for 1999 until three weeks later. On May 6th, Floridians could take satisfaction in knowing they were finally earning money for themselves rather than for the tax collector. This symbolic date assumes that every dollar earned since January 1 goes to pay federal, state and local tax obligations. Although a strong economy has increased the amount of taxes Floridians pay, income has risen a bit more in 1999. So this year it will take a little less time to earn enough to pay your taxes.

*** How Florida Compares**

Florida TaxWatch's annual report on how our state and local taxes compare with those of the other 49 states found that Florida's 1997 combined state and local tax ranking was 30th. Combined state and local per capita collections of \$2,252 were 93% of the national average, the largest percentage ever.

Floridians' state tax ranking remained relatively low at 39th, up one spot from 1996 and two spots from 1995, but down three spots from 1994. Local taxes now account for 42% of total state and local taxes in Florida as cities and counties pick up more responsibility for providing services.

The report found that state governments have largely avoided significant tax increases in the past few years as the economy has performed well enough to provide significant growth in tax collections.

*** Anticipating the Effects of an Economic Recession on Florida's Budget**

This *Research Report* shows that Florida learned its "fiscal lesson" with the 1990-91 recession. The next recession may require judicious budget reductions, but with utilization of the Budget Stabilization Fund and with an augmented Working Capital Fund, the costs can be better managed. Toward this end, Florida TaxWatch recommends that the Budget Stabilization Fund be gradually increased from 5% to 10% of General Revenues, which translates to \$1.7 billion.

*** PB² -- "Diamond in the Rough" or Just A "Zirconium Bauble"?**

Florida TaxWatch concludes that Performance-based Budgeting (PB2) enacted by the 1994 Legislature thus far has had some positive impacts on the state's budgeting and accountability processes. However, it has not had a real impact on how money is allocated, and which programs grow or are terminated. Until this happens, PB² will not be a relevant and meaningful budget tool that can meet the needs of Florida's diverse citizenry and dynamically changing economy. Real change is necessary for all parts of state government to embrace openness, insight, an incredible degree of commitment and courage, competent management and personnel, and a system of accountability and meaningful consequences that are routinely and evenly applied.

*** Crime In Florida's Counties: Community Cohesion Makes A Difference**

The findings of this research provide strong evidence that policies which enhance community cohesion should be embraced and supported by all stakeholders in Florida. Only when all elements of a community are united in their efforts can optimal community policing success be realized. Consequently, Florida's business community and Florida lawmakers must play a vital role in community policing and other efforts to enhance community cohesion. Florida TaxWatch will continue to study the contribution of community policing to public safety, and will work with law enforcement and other agencies and the academic community to further develop community strategies aimed at enhancing public safety.

* **Optional Retirement Plan is Essential First Step**

This *Research Reports* shows that the Florida Retirement System has performed well. The State Board of Administration has done a good job to protect the important investment principal and secure a reasonable investment return. However, Florida public employers must have the tools necessary to compete for a more flexible, adaptable and competent work force in the 21st Century. Providing a Defined Contribution retirement plan option is an important step toward that end.

Florida TaxWatch recommends that current and future public employees be given the option to determine which plan is right for their particular circumstances. TaxWatch finds that consideration and adoption of a Defined Contribution option is appropriate because it provides the potential for a higher level of competitive, market-driven retirement benefits to public employees while at the same time providing employers with a better recruitment tool and potentially lower costs (both benefit and administrative).

Special Projects

* **The Governor's Transition Decision Handbook**

This special report, published by Florida TaxWatch, focused on the many challenging decisions confronting a new Governor and his leadership team. Its purpose was to help sort, organize and thoughtfully consider decisions during the Pre-Inauguration period, the Inauguration and first legislative session, and the first full fiscal year of governing. It offered advice from those who have been there, as well as "Top 10 Considerations" and "Helpful Hints" related to various decisions to be made during the first year in office.

* **Full Cost Analysis Procedures and Development of Request for Proposals for Management of Non-Instructional Educational Services**

This report constitutes phase two of a project being conducted by the Florida School Boards Association and Florida TaxWatch. Its purpose is to provide the Commissioner of Education, School Boards and the Legislature with "best practice" policy options and the development of pilot programs for privatization/competition of non-instructional services.

A Phase One report noted that school districts around the country increasingly are faced with the problem of how to improve student achievement while being constrained by resources. An important ingredient of this dilemma is the provision of services by the most efficient and effective means possible. The report provided an overview of contracting for services and competition options available to Florida's public schools.

Phase Two focused on development of model Requests For Proposals (RFPs) for food services, transportation and custodial services, plus full-cost analysis procedures to allow school districts to compare the current cost of operations with proposals from RFP respondents. Preparation of the report included telephone and on-site interviews and critical review and comment on a preliminary draft by knowledgeable persons at the Florida Department of Education and a number of school districts.

* **Final Report of the 1999 Florida Taxpayers Bill of Rights Task Force**

Florida TaxWatch has been working to have the recommendations of this report added to the Taxpayers Bill of Rights since it was enacted in 1992. Past efforts to implement these ideas have failed for the same reason they were excluded from the original Bill of Rights. That reason, of course, is money. The report noted that making these changes will have an effect on state revenues. It is currently estimated that paying interest on refunds will cost \$5 million annually. Reducing the penalty on delinquent taxes from 12% to the prime rate will cost \$14.1 million, and reducing the statute of limitations will cost \$60 million. Although there has been much debate on fiscal estimates over the years, the Legislature historically has taken the position that the cost of taxpayer fairness was too high.

With much more revenue to work with than in past years, the 1999 Legislature was committed to giving something back to the taxpayers. Both the House and Senate included Taxpayers Bill of Rights, or "taxpayer fairness" issues in their tax relief packages. Whereas the Senate included all three recommendations that are contained in this report, the House included only two, excluding a reduction in the statute of limitations.

Neither the House nor Senate bill formally embodied the changes being recommended in a bono fide taxpayer bill of rights context. To amend state law just by implementing the specified rights, rather than incorporating them as additions to current Taxpayers Bill of Rights guarantees, falls short of providing taxpayers the extent of guarantees they rightly deserve.

Taxpayers need assurances they will be treated fairly as they fulfill their public duty of funding government. If specified as rights in addition to guarantees currently afforded by the Taxpayers Bill of Rights, a higher level of protection from abuse, whether by commission or omission, is enabled. This is especially important given the increased complexity of Florida's revenue laws, the state's expanding population and the omnipresent need to balance effective tax collection and enforcement with taxpayers' rights and responsibilities. Promoting a state policy of fairness, efficiency and impartiality in revenue law administration is one of the most important statutory guarantees the state can foster.

The report stated that the following should be added to the Taxpayers Bill of Rights:

- The right to receive interest when a refund is not paid within 90 days after receipt of a complete application for refund of overpayments, payment of taxes not due, or taxes paid in error.
- The right to market interest rates on delinquent taxes.
- The right to a three-year statute of limitations on assessments and refunds.

★ **Final Report of the 2nd Intangibles Tax Task Force**

The success of the first Florida TaxWatch Intangibles Tax Task Force prompted the Legislature to request that TaxWatch reconvene the Task Force to develop another set of recommendations for consideration during the 1999 General Session. Some of those included:

■ *The recurring intangible personal property tax should be phased out through a four-year rollback of the tax rate. The rate would be reduced from 2 mills to 1.5 mills on January 1, 2000. The tax rate would then go to 1 mill in 2001, 0.5 mills in 2002, and the tax would be repealed in 2003.*

■ *The phase-in of exemption from the intangibles tax for accounts receivable should be continued. One-third of accounts receivable are currently exempt. If the phase-out is continued, two-thirds would be exempt as of January 1, 2000 and all accounts receivable would be exempt from intangibles taxation as of January 1, 2001.*

■ *The law governing Limited Liability Companies (LLC) should be clarified and an intangibles tax exemption provided for investment in a limited liability company. It should also be clear that intangible assets owned by LLCs are taxable. Since LLCs are generally a new phenomenon in Florida, the revenue impact of this change should be minimal. Interest in partnerships (and interest in sole proprietorships which are not a separate legal entity) already are exempt from the tax, so the choice to be organized as an LLC, instead of a partnership or sole proprietorship, would not significantly affect intangibles tax collections.*

■ *Businesses owing less than \$60 in intangibles tax should not be required to file an annual return. This will decrease the paperwork burden for approximately 250,000 businesses.*

■ *An exemption from the intangibles tax should be created for all trustees. Florida-domiciled beneficiaries with a taxable beneficial interest in such a trust would still be required to pay the tax on their portion of the trust. No tax would be imposed on a trust in which no Florida resident has a taxable beneficial interest.*

■ *An exemption from the intangibles tax should be created for investment advisors. An investment advisor who does not own, but has authority to invest money on behalf of a principal, would not be required to file a return and pay tax on intangible personal property with respect to the assets which the advisor purchases with the principal's funds. Further, if an investment advisor acts as a fiduciary or an agent of a principal, intangible personal property of the principal should not have a taxable situs in the State of Florida simply because the investment advisor who manages the funds is located here.*



Dr. Keith G. Baker, Senior Vice President and Chief Operating Officer and Dominic M. Calabro, President and Chief Executive Officer.

In its 20th anniversary year, Florida TaxWatch takes pause to recognize the many achievements resulting from effective leadership by its volunteer officers, board of trustees and members; continuing financial commitment of its members; and effective, diligent effort by its staff, all working in cooperation with Governors Graham, Mixson, Martinez, Chiles, MacKay and Bush, legislative leaders and members, and the state's business and civic leaders.

A Governor and Cabinet Resolution commending Florida TaxWatch's two decades of service was presented to Chairman Joe Lacher and board members on August 24, 1999 (see facing page).



Governor Bush and the Florida Cabinet with Florida TaxWatch Chairman Joe Lacher, Chairman-Elect O'Neal Douglas, Board Members Bill O'Toole, Governor Wayne Mixson, Lee Chotas, Jerry Johns, Elliott Messer and President and CEO Dominic Calabro.



Governor Jeb Bush with Florida TaxWatch Chairman Joe Lacher, Governor Wayne Mixson, Chairman-Elect O'Neal Douglas and President and CEO Dominic Calabro.

GOVERNOR AND CABINET RESOLUTION

WHEREAS, Florida TaxWatch is a respected non-profit, nonpartisan, government watchdog and research institute based in Tallahassee; and

WHEREAS, Florida TaxWatch is celebrating its 20th anniversary on November 30, 1999; and

WHEREAS, Florida TaxWatch was established in 1979, as a citizens' group founded on the concept of a constitutional government and a democratic republic and the principle that citizens must take responsibility for their government and its performance; and

WHEREAS, Florida TaxWatch is supported by voluntary contributions from citizens, businesses, labor organizations, professional firms, associations, and philanthropic organizations; and

WHEREAS, the mission of Florida TaxWatch is to improve taxpayer value, citizen understanding, and government accountability; and

WHEREAS, through its broad array of work, with its high integrity and credibility, Florida TaxWatch has helped current and past Governors, Cabinets, and Legislatures implement over \$6 billion dollars in government savings; and

WHEREAS, Florida TaxWatch has done research and analysis which improved Florida's tax system and competitive tax position, while supporting new investments beneficial to the citizens, the economy, and the protection of valuable infrastructure; and

WHEREAS, under the guidance of Florida TaxWatch, the Taxpayers' Bill of Rights Task Force was established and was integral in achieving the passage of the 1992 Taxpayers' Bill of Rights, setting forth clearly and concisely the rights and responsibilities of taxpayers and the responsibilities of government to deal fairly with taxpayers; and

WHEREAS, in addition to cutting unnecessary state spending, the recommendations of Florida TaxWatch have led to increased dollars in areas such as early childhood intervention, where increased investment provides a better return; and

WHEREAS, the Davis Productivity Awards Program, funded by the Davis family and administered by Florida TaxWatch, The Florida Council of 100, and the State of Florida, has since 1989, rewarded more than 4,000 state employees for their hard work, innovation, and productivity, resulting in \$2.7 billion in added value for Florida taxpayers; and

WHEREAS, Florida TaxWatch's dedication to serve as the protector of Floridians' tax dollars is commendable, and its efforts to promote economic self-sufficiency for all Floridians are exemplary.

NOW, THEREFORE, BE IT RESOLVED that the Governor and Cabinet of the State of Florida do hereby recognize

FLORIDA TAXWATCH

on the occasion of its twentieth anniversary and commend the outstanding efforts and accomplishments of Florida TaxWatch.

IN TESTIMONY WHEREOF, the Governor and Cabinet of the State of Florida have hereunto subscribed their names and have caused the Official Seal of the State of Florida to be hereunto affixed in the City of Tallahassee on this 24th day of August, 1999.

In a time when taxpayers' most frequent criticism is government's wasteful, excessive spending, any talk of the dollars government has saved or spent more wisely often draws a cynical response. But Florida government employees can and do save taxpayer dollars--especially if they are working within the framework of a well-structured, relevant program. The Davis Productivity Awards Program annually recognizes and rewards state government employees and work units whose efforts measurably improve productivity and add taxpayer value.

The program is named after the late J.E. Davis and his brother, the late A.D. Davis, both co-founders of Winn-Dixie Stores, Inc., and founding members of Florida TaxWatch. It is administered by Florida TaxWatch in partnership with The Florida Council of 100 and the State of Florida.

Taxpayer benefits come through savings accrued from innovations, streamlined procedures and plain hard work of enterprising state workers. Davis Productivity Award winners added \$272 million in value in 1998-99, which when added to the previous ten years, totals \$3 billion in cost savings, cost avoidances and increased revenue.

This annual program currently provides a total of \$100,000 in cash awards, commemorative plaques, certificates of commendation and a forum in which state employees receive well-deserved public recognition. Since the program's 1989 inception, more than 4,500 state employees have benefitted from nearly \$1 million worth of rewards and recognition activities for making state government run more efficiently and effectively.

Over the past several years, Davis Productivity Awards judges and, in the past year, Governor Jeb Bush emphasized the importance of spreading the word about recognized achievements that have the potential to be implemented by other individuals and work units throughout state government. Toward that end, a publication summarizing 200 adaptable achievements from the 1999 Davis Productivity Awards competition have been posted on Florida TaxWatch's Web site, compiled for a publication and for a productivity symposium for state managers and staff planned for early next year.

During the coming year, Florida TaxWatch and its partner organization, The Florida Council of 100, will work with the Governor's Office and state agencies to document results from adaptation and implementation of these achievements throughout other parts of state government. Results will be reported to the Governor and Legislature and recognized as part of the 2000 Davis Productivity Awards Program.

A resolution commending the Davis Productivity Awards winners and big sponsors and naming November 1999 "Official Davis Productivity Awards Month" has been adopted by Florida's Governor and Cabinet. It encourages each state agency to provide appropriate in-kind services and support for the program, including payment of registration fees for winners and other selected state employees to attend awards presentations in Tallahassee and around the state.

As in the private sector, government's contributions that improve taxpayers' health and well-being will continue only if they are recognized and publicly rewarded. That's why the Davis Productivity Awards Program is such a significant part of the fabric of Florida state government.

Quotable Quotes

"The contribution of Florida TaxWatch is unparalleled in the history of Florida government."

U.S. Senator Bob Graham

"TaxWatch has improved conditions for Florida businesses and all taxpayers by cultivating good public policy. We must ensure that TaxWatch is going to be around to fulfill its critically important role in future years: helping Florida's government become more efficient."

T. O'Neal Douglas,
Chairman-Elect, Florida TaxWatch and
Chairman, American Heritage Life Insurance Co.

"Florida TaxWatch focuses on what can be done, instead of what has been done wrong. It manages to be a constructive watchdog of government spending. TaxWatch research provides ammunition for better policy decisions and its Davis Productivity Awards Program recognizes and fosters better government work. A commitment to positive change is the key to TaxWatch's success."

**Joseph P. Lacher, Chairman, Florida TaxWatch
and President, BellSouth**

"With the implementation of term limits, if TaxWatch didn't exist, we'd have to create it. Florida TaxWatch is more important than ever."

Florida Speaker of the House John Thrasher

"I view Florida TaxWatch as a vital partner in reshaping government's role, strategies and approach to work. Floridians want a government that functions more like a business, with an emphasis on results. TaxWatch is essential to help us get there."

Florida Governor Jeb Bush

"In this state, the taxpayers have a really good friend in Tallahassee. The friend isn't one person; it's a privately funded nonprofit, nonpartisan organization, Florida TaxWatch. ... All this year, Florida TaxWatch is celebrating its 20th anniversary, and all Floridians should express applause and appreciation for two decades of sustained excellence and achievement." Fort Lauderdale Sun-Sentinel

"Florida TaxWatch's constructive leadership, sound research and public initiative were the genesis for our positive action on the 1998 Intangible Tax Legislation."

Florida Senate President Toni Jennings

"Congratulations TaxWatch on your 20th Birthday. What a 20 years it has been and what an impact TaxWatch has had on the government of Florida as well as the citizens! We have much better tax policies, much fairer tax policies, and the business community really appreciates the approach TaxWatch takes to looking at all new proposals and determining whether or not they are going to mean equity for businesses in Florida."

**Adelaide A. Sink, Secretary, Florida TaxWatch
and President, NationsBank Florida**

Florida TaxWatch Staff



From Left to Right: Dr. Geraldo Flowers, Research Associate; Shirley Gloer, Office Administrator; Dan Sprague, Research Analyst; Dr. Neil S. Crispo, Vice President, Research Development; Myrtle Bailey, Research Analyst; Dominic M. Calabro, President and Chief Executive Officer; Deborrah Heerema, Administrative Assistant; Kurt Wenner, Senior Research Analyst; Dr. Keith Baker, Senior Vice President and Chief Operating Officer; Michele Bailey, Assistant Research Analyst; Barbara K. "Babs" Taff, Vice President, Membership; Dave Davis, Senior Research Analyst; and, Mike Walsh, Senior Research Analyst.

Help Shape Florida's Future . . . Join Florida TaxWatch Today!

As a member of Florida TaxWatch, you will receive a variety of benefits for your voluntary, tax deductible contribution. In addition to the knowledge that you are part of an organization which is pursuing prudent, responsible government management and spending policies, you will regularly receive timely, enlightening material to help you make informed decisions as you conduct business for your firm or your family.

Look at the many benefits which a Florida TaxWatch membership brings you:

- ☛ A vigilant organization which can and does affect change which you and your fellow citizens want and need.
- ☛ Empirically sound, concise research reports resulting from our ongoing monitoring of public tax and spend policies and practices.
- ☛ Florida TaxWatch *Focus*, our informative monthly newsletter containing fiscal facts and figures that keep you apprised of Florida TaxWatch accomplishments as well as facts and features of interest concerning Florida government and the officials who manage it.
- ☛ Resource materials prepared at your request for your own presentations and events.

That's Why A Florida TaxWatch Membership Makes Good Sense!

Don't let others decide how your tax dollars are spent. You have a right to decide how our citizens' tax dollars are invested. So get involved! It's your state – and your Florida TaxWatch membership can make a difference!

Treasurer's Report

Dear Fellow Taxpayers:

Florida TaxWatch further expanded its statewide representation of taxpayer concerns in Florida during the fiscal year ended September 30, 1999. This widening support demonstrates the recognized quality and enhanced public value of the Institute's mission and research program accomplishments. During this fiscal year, Florida TaxWatch continued to adhere to the sound fiscal standards required of such a respected research institute. According to the Financial Statements and Independent Auditor's Report, total expenses of \$1,548,369 were kept below total revenue of \$1,548,968. The practice of keeping expenses below revenue has continued in each of the Institute's 20 years of operation.

The Treasurer's Report for FY 1999 demonstrates the sound management practices and proper financial controls applied by the Institute which ensure effective and productive operations with direct accountability.

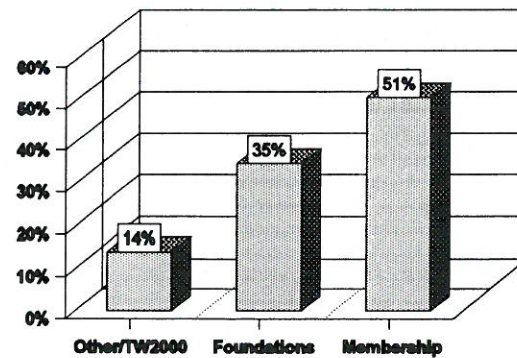
According to the year-end record of expenses, all expenditures went to prepare, conduct, publish, disseminate and properly communicate the research program's findings, conclusions and recommendations about Florida government tax and spend policies and practices, as well as provide funding expertise for our long term Capital Campaign. No funds were expended on lobbying activities, as is specifically restricted by the Institute's Articles of Incorporation and Bylaws.

Respectfully,

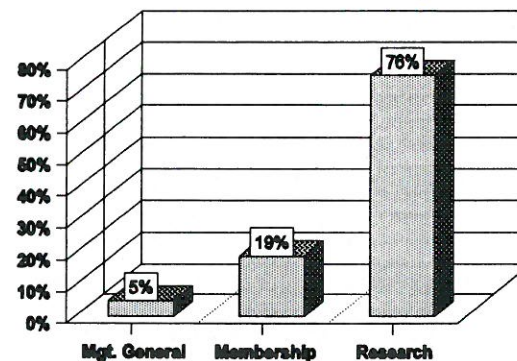


William A. O'Toole
Treasurer and Chairman of the Audit Committee

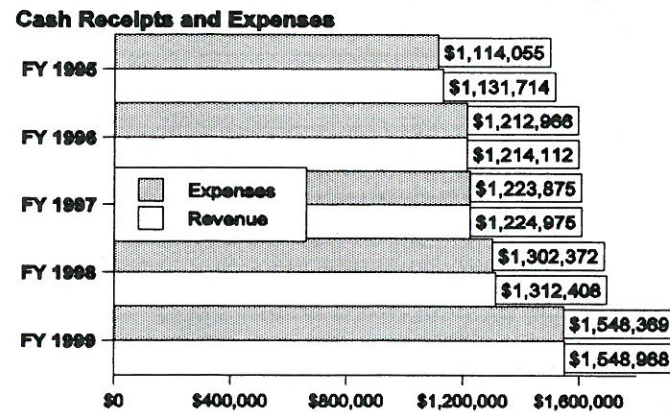
FY 1999 Income



FY 1999 Expenses

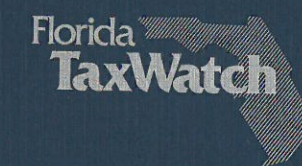


Five Year Financial History



You cannot strengthen the weak by weakening the strong. You cannot help small men by tearing down big men. You cannot help the poor by destroying the rich. You cannot lift the wage earner by pulling down the wage payer. You cannot keep out of trouble by spending more than your income. You cannot further the brotherhood of man by inciting class hatreds. You cannot establish security on borrowed money. You cannot establish character and courage by taking away a man's initiative and independence. You cannot help men permanently by doing for them what they could and should do for themselves.

~ Abraham Lincoln



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"Improving taxpayer value, citizen understanding and government accountability."