

SALES TAX

EXEMPTIONS

*A Prescription to Help Pay
for Growth in Florida's
Dynamic Economy?*

ABOUT TAXWATCH . . .

Florida **TaxWatch**, Inc. is the only statewide organization devoted entirely to Florida taxing and spending issues. Since its inception in 1979, **TaxWatch** has worked diligently and effectively to safeguard the interests of the taxpayer, helping to reduce inefficiencies and prompting responsible cost effective improvements in the management and operation of citizens' tax dollars without lobbying.

TaxWatch is supported by all types of taxpayers — homeowners, small businesses, large corporations, professional firms, members of the news media, associations and individuals — representing a wide spectrum of Florida's citizens. **TaxWatch** is a non-partisan, non-profit research and public information organization supported entirely by voluntary tax deductible membership contributions. Membership is open to any organization or individual interested in supporting sound research which promotes effective and efficient government.

TaxWatch publishes several types of research products which range from detailed research findings and recommendations as to where and how productivity improvements in government can be achieved, to explaining how timely economic, financial and tax related developments may impact on Florida's citizens.

TAXWATCH DOES NOT OPPOSE ALL TAXES . . . but is ever present to watch that taxes are fair, equitable, not excessive, that their public benefits and costs are weighed, and that government agencies are responsible and efficient in their use of public funds.

The contribution of Florida TaxWatch is unparalleled in the history of Florida Government... You share the desire to achieve productivity —not through bar graphs and PERT charts, but through people.

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May 1986

Dear Fellow Taxpayer:

Chlorine used in swimming pools. Horse feed. Plastic swizzle sticks sold to bars and nightclubs. Dry cleaning. Certain car washes. What do these items have in common? Each is a specific exemption to Florida's 5% sales and use tax. Why? No one seems to know for sure. While most exemptions are proper, the law contains numerous tax breaks that are illogical and often contradictory. Moreover, most consumer transactions in the fastest growing sector of the state's economy — services — escape taxation. Now is the time, after 37 years of sales taxation, and in the face of a massive State Comprehensive Plan, to undertake a thorough evaluation of what sales transactions are taxed or exempt.

Florida TaxWatch is pleased to send you **Sales Tax Exemptions: A Prescription to Help Pay For Growth in Florida's Dynamic Economy?** The answer to this question is a qualified one, depending on which course of action our lawmakers take. If they act hastily and arbitrarily to sunset exemptions wholesale, in a rush to raise up to \$1 billion plus additional revenue, more harm than good will likely result. On the other hand, if the entire exemption structure is evaluated in a thoughtful and comprehensive manner — based on good tax policy standards and specific legislatively adopted criteria before exemptions are removed — a sales tax that is more efficient, equitable and relevant to today's changing economy should emerge.

Florida's sales tax structure has not been scrutinized since the tax was first levied in 1949. Changes to the law have been piecemeal and incremental. We can no longer afford such a fragmented approach. In a growing and changing economy, the potential to harm our economic environment by not focusing on the **whole picture** is too great. We need only look back as far as the 1984 unitary tax debacle to see the results of shortsighted tax policy.

Florida TaxWatch calls on the 1986 Legislature to adopt sound criteria and create a review Commission to comprehensively evaluate our sales tax and exemption system. Following the Commission's report after the general election, the Legislature — at its November 1986 Organizational Session — should act to sunset those exemptions that do not comport with desired public policy. This will help ensure that the base of our state's top tax is rational, fair and broad enough to head off premature future tax rate hikes. By taking a longer-range view today, our state leaders can avoid unnecessary and costly reactionary steps to catch up later. But they must do so in a fair, thoughtful and disciplined manner, because you deserve and should expect nothing less.

Respectfully,

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Sales Tax Exemptions—The Issue? . . . Adjusting Florida's Tax Base in a Growing, Dynamic Economy

An estimated \$60 billion plus annual transactions in Florida's economy, worth over \$3 billion in potential tax revenue, are not subject to the state's 5% general sales and use tax. State policymakers - on the lookout for new ways to pay for growth driven public service and infrastructure needs - are currently debating how, and which, of these exemptions should be repealed, reviewed or subjected to the "sunset" process to potentially expire at a later date. As the state's number one revenue source, currently raising over \$5 billion annually, the sales tax is naturally a prime target for an infusion of big bucks into government coffers.

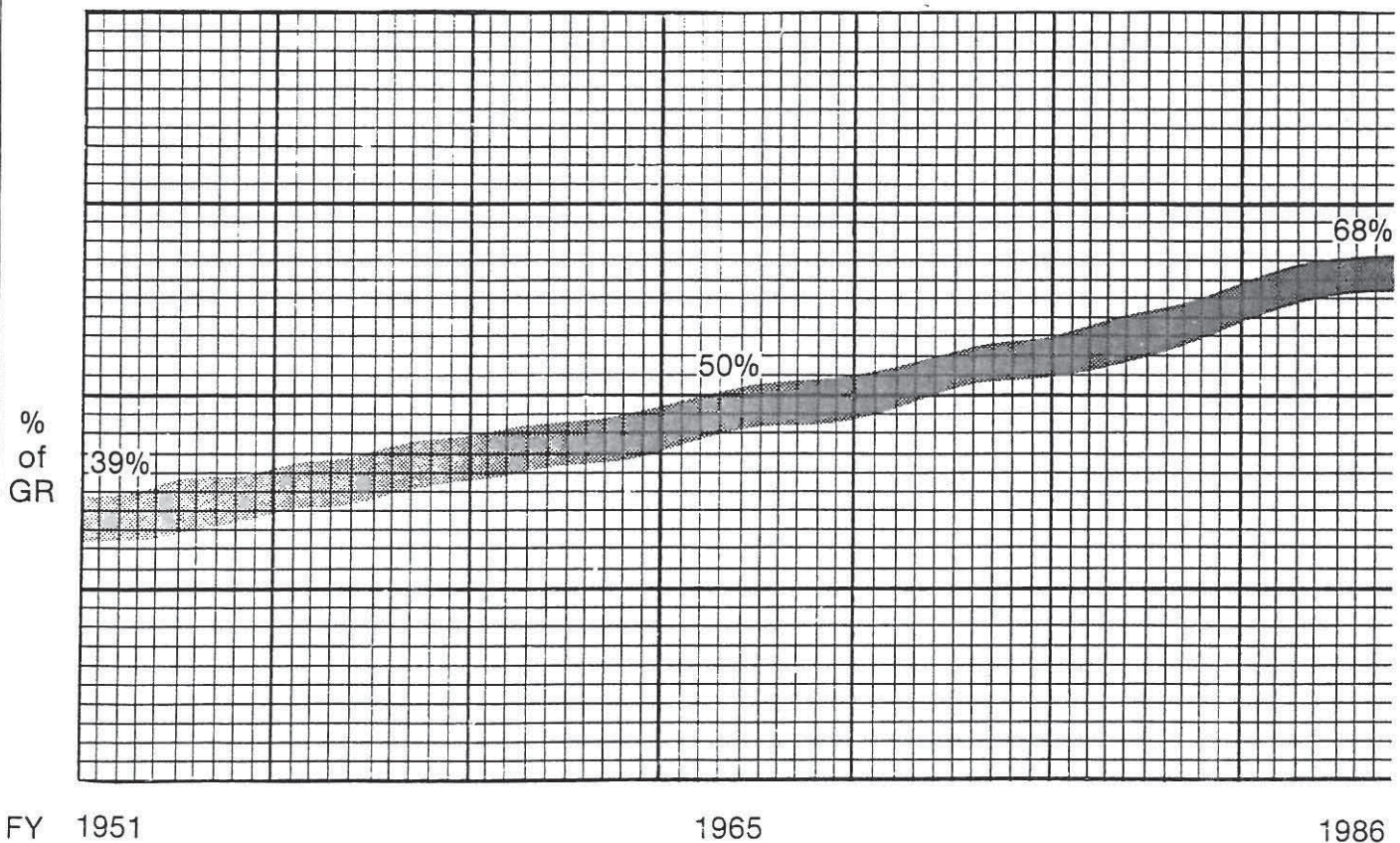
Eliminating exemptions to expand the sales tax base has been recommended by the State Comprehensive Plan Committee. A number of

key lawmakers also favor this approach as a way of increasing state revenue to help foot the bill for growth without raising the sales tax rate at this time. **Florida TaxWatch** has recommended a systematic review (with set criteria) followed by a sunset process to ensure that exemptions comport with state policy and that items be added or deleted, consistent with technological advances and changes in the economy.

One of the most important long term concerns is that our sales tax structure largely ignores the cutting edge of Florida's economy. With most business services and many consumer services exempt, the biggest and fastest growing piece of Florida's economic pie largely escapes the hand of the taxman.

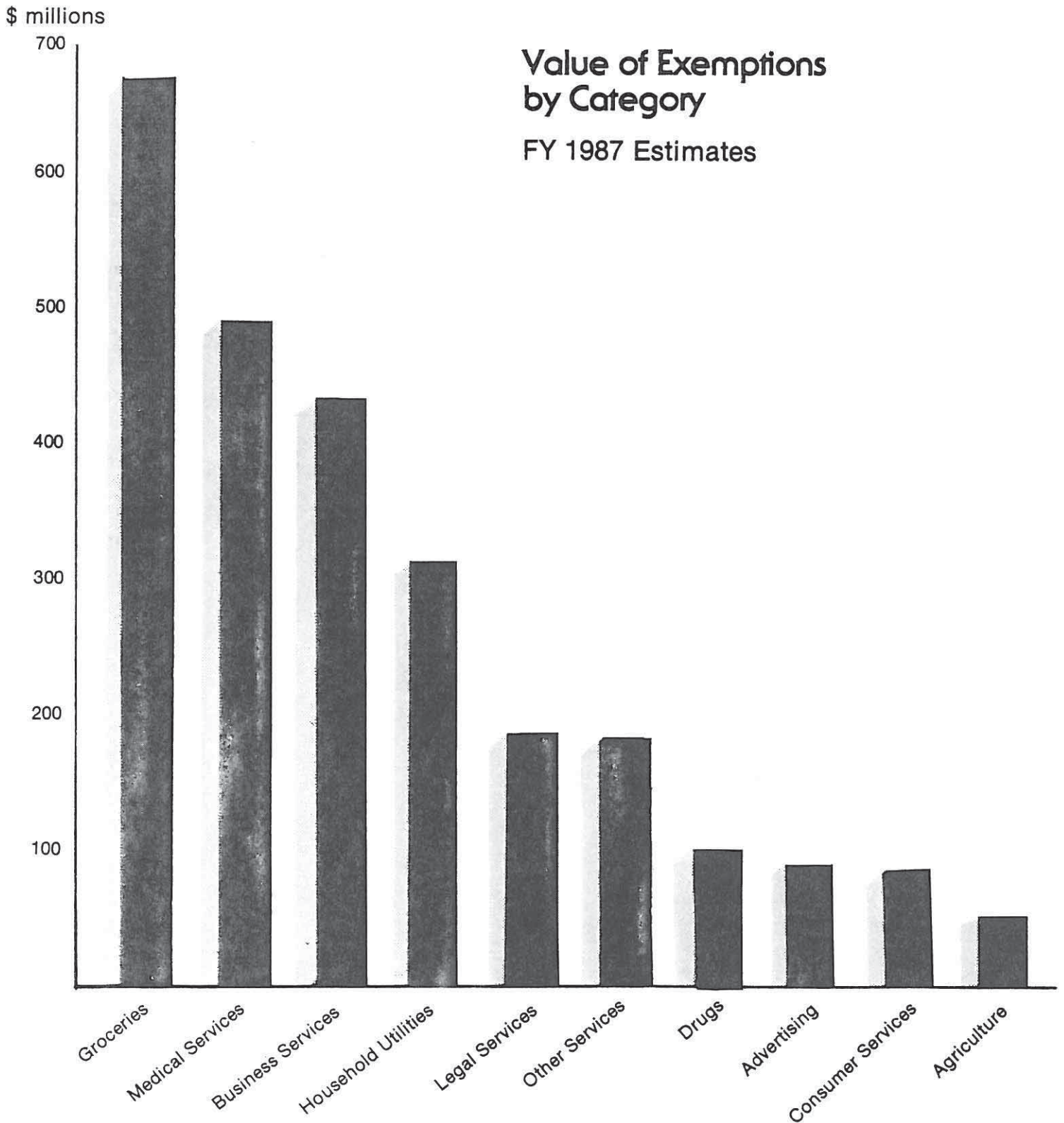
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Sales Tax Tops Two-Thirds of General Revenue



Source: Florida Department of Revenue and Florida TaxWatch, Inc., May 1986

Groceries, Medical Services Head Exemption List



Source: Florida Department of Revenue and Florida **TaxWatch**, Inc., May 1986

The Issue, Continued . . .

The sales and use tax law has not undergone a comprehensive evaluation since it was enacted in 1949. Support for "updating" the tax is based on a two-edged proposition. First, that the state is missing out on hundreds of millions of dollars annually in easily reached revenue, and secondly that exempting services while taxing goods used for the same purpose artificially distorts consumer preferences.

Much ado has also been made about exemptions which have no apparent rational justification. Among these is exempting chlorine used in swimming pools but taxing it when used in cooling systems. Or, taxing dog food while exempting horse feed. On the other hand, some provisions which appear strange on the surface actually make good sense when examined more closely. For example, coins purchased from a dealer are exempt, but other collectables such as stamps are taxed. The reason: A federal prohibition against taxing money. While the revenue generating potential from eliminating illogical and contradictory exemptions

is relatively small, our sales tax law needs to be "cleaned up" to boost equity and public confidence in the tax system.

Some sales tax exemptions are widely agreed to be "untouchable". They will likely, and rightfully should, remain exempt. Among them are necessities such as food, prescription drugs, medical services and household utilities. Since lower income taxpayers, large families and elderly persons on fixed incomes spend proportionately more of their money on these items, exempting them makes the tax more progressive, preventing the burden from falling more heavily on those citizens least able to pay.

These issues reflect important concerns to be addressed in the current sales tax exemption debate. Revenue generating capacity, relevance to today's economy, rational structure and equity are essential elements of a good tax system which must be carefully assessed.

"He who expects a perfect tax to see expects what neither is, was, nor ever shall be."

Anonymous

Service Sector is Growth Leader in Florida's Economy

- The service sector is Florida's major employer. Service and service related businesses provide jobs for over 55% of the state's labor force, compared to approximately 40% just 20 years ago.
- Over 1.2 million Floridians are employed directly by service industries.
- Employment in services is rising approximately 6% per year, over twice Florida's annual population growth rate, and one-third again faster than the overall job creation rate.
- Over 80% of all new jobs created are for service sector workers, such as lawyers, mechanics, accountants, consultants and temporary office help.
- The service sector generates over three times as much income (personal and corporate) as goods producing industries.
- Jobs in Florida business services have grown by 80% over the past five years, compared to just 13% in manufacturing.

Source: Florida Department of Labor and Florida TaxWatch, Inc., May 1986

History of Florida's Sales Tax and Exemptions

In 1949, Florida became the 34th state to adopt a general sales tax. Set at a rate of 3%, the new tax quickly added over 25% to state coffers. In 1951 - the first year of full implementation - it brought in \$48 million, contributing 39% of General Revenue (GR). By 1965, collections topped \$261 million, over 50% of GR. In FY 1986, the take will exceed \$5 billion, or more than two-thirds of GR. **Each cent of sales tax now generates \$1 billion plus annually.**

Over the years, the sales tax law has undergone numerous minor technical changes as well as rate increases - to 4% in 1968 and 5% in 1982. However, its overall structure today is much as it was 37 years ago, and **no comprehensive evaluation of exemptions has been undertaken to date.**

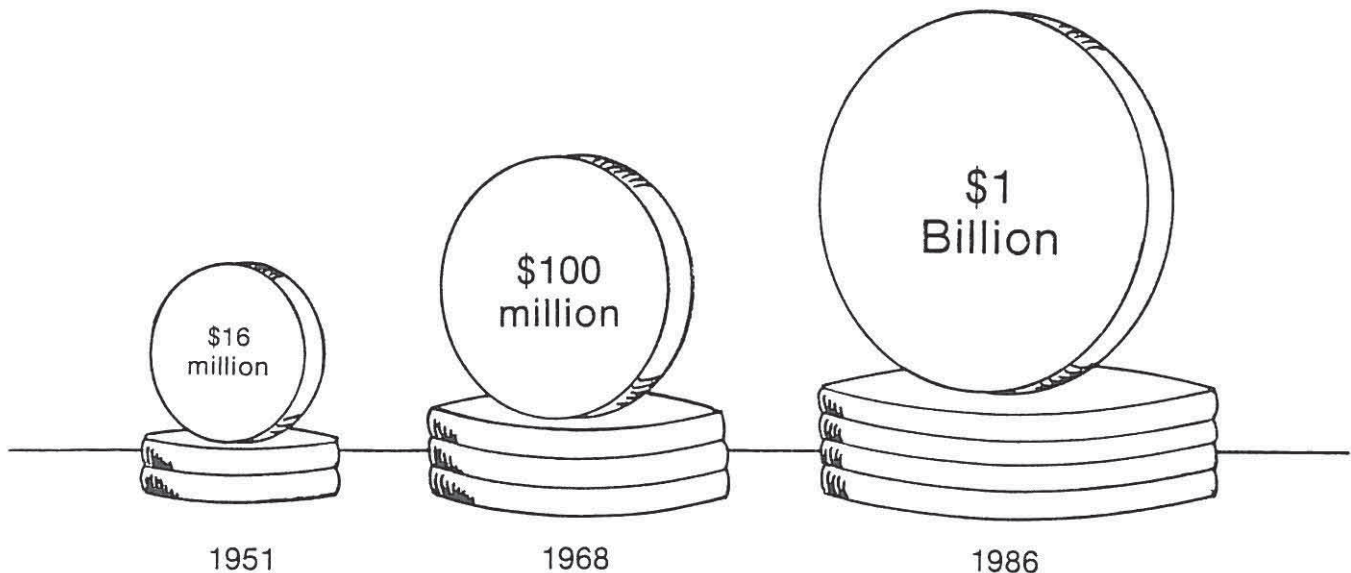
While many exemptions on the books today were granted in 1949, other currently exempt items were not even considered at that time. Goods and services that are an integral part of our current economy were either non-existent or an insignificant

portion of sales transactions. These have either been exempted or taxed over the years based on statutory amendment, Department of Revenue rules and/or court cases interpreting the general intent of the statutes.

The major exemptions added by the Legislature have largely reflected changing state social and economic policy. Two of the more prominent exemptions relate to equipment and materials for new and expanded businesses to promote development in economically distressed areas (1980), and cogenerated energy to foster conservation (1978, 1980 and 1984).

The 1982 tax rate hike to 5% was presented to the public as a way to provide property tax relief in the face of rapidly rising property assessments. In exchange for receiving one-half of the fifth cent, Florida cities and counties were required to limit property tax increases through 1984. **Local governments now receive almost \$1/2 billion annually in state sales tax funds.**

Each Penny of Sales Tax Now Generates Over \$1 Billion in Revenue



Source: Florida Department of Revenue and Florida **TaxWatch**, Inc., May 1986

Why Exempt?

Most Exemptions Are Not "Loopholes," But Are Based on Sound Tax Policy*

Reason / Policy

- **Make the tax more progressive** by preventing the relative burden from falling most heavily on the poor. Basic necessities should be exempt because low income taxpayers spend proportionately more of their income on these items.

- **Avoid a hidden, "value added" tax on goods as they are produced.** Taxing direct inputs and raw materials that are part of the manufacturing process adds "hidden" taxes at various stages. This distorts the market pricing mechanism and imposes a multi-level tax on the consumer that he/she is unaware of and, thus, cannot hold elected leaders accountable for.

- **Promote economic development.** Exempting goods purchased by businesses locating in economically distressed areas gives them an extra incentive to move into these areas. New jobs are created where employment opportunities are otherwise limited.

- **Preserve and promote agriculture.** Food produced and consumed on farms and certain agricultural products are exempt to foster preservation of farmland.

Exemptions

Groceries Prescription Drugs
Medical Services Household Utilities

Wholesale Purchases Raw Materials
Other Direct Ingredients
of Manufactured Products

Machinery
Other Property of Businesses
Locating in "Enterprise Zones"

commodities for
on-farm consumption

"Everything has already been told, but as no one listens, we must always be beginning again."

The Prodigal

*This section deals primarily with items that are specifically exempt in the law. Similar rationale should also apply to other goods and services which are omitted or not currently covered.

● **Avoid burdensome administration.**

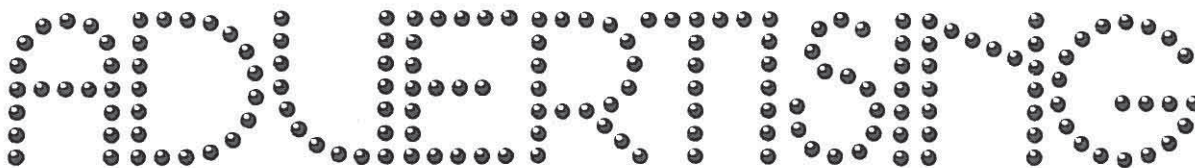
Three states and at least one major city have found it difficult to tax advertising because of the frequency of interstate transactions and mail advertising by "boiler room" operations. Also, goods sold by roadside vendors, mail order operations and other businesses which do not have a permanent presence in the community are hard to tax and very costly to administer.

Roadside Sales Advertising
Mailables/Flyers

● **Promote public policy aims.**

Exemptions are used as an incentive to encourage the use of certain items that are in the public interest. Alternative energy sources such as cogenerated energy and solar devices are two prominent examples.

Solar, wind and
cogenerated energy



ADVERTISING

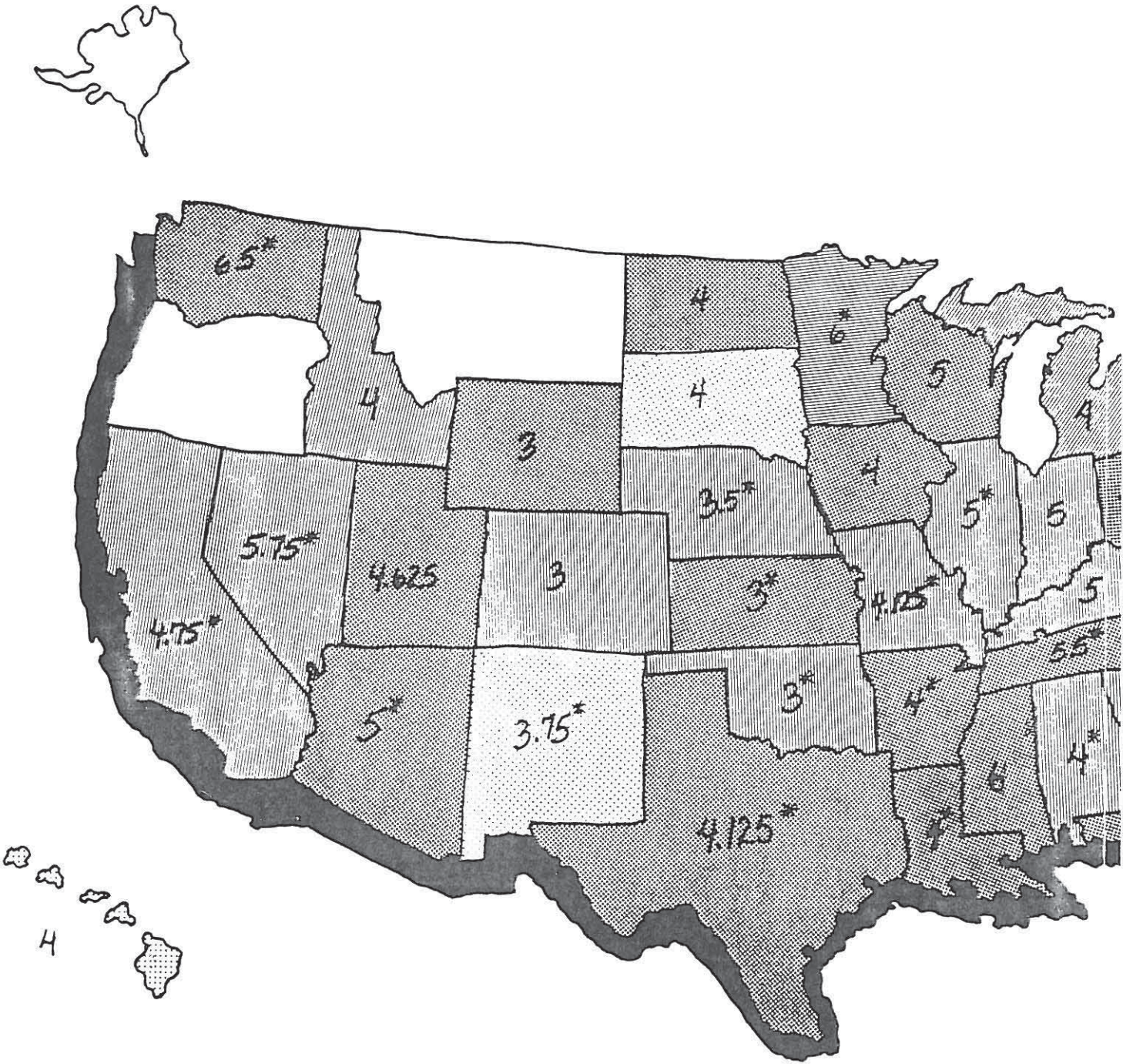
Why It's Tough to Tax

● Currently, only Oklahoma taxes advertising in any form. In the "Sooner State", all advertising except newspaper ads is taxed. Revenue officials there found that trying to collect sales tax on newspaper ads was not cost-effective.

● The other two states and one city that have attempted to tax advertising sales have found the tax too difficult to administer. Arizona, South Dakota and the City of Baltimore previously passed laws to tax advertising services. In all three cases, the laws were repealed because revenue officials found the tax such a headache. So much advertising is done by out of state firms and "boiler room" mail operations that only a relatively small portion of the potential advertising tax dollar could be tapped. Also, upon levy of the tax many businesses in these states turned to out-of-state firms to prepare their ads, further cutting available revenue.

● A recent study by the University of Virginia School of Business Administration contends that taxing advertising may have a negative impact on retail sales. If a tax on advertising results in retailers advertising less, thus selling less, some jobs and ultimately tax revenue could be lost. However, no solid data exist to indicate the extent of potential job or revenue losses.

Florida's Exemption Structure



Source: Advisory Commission on Intergovernmental Relations and Florida TaxWatch, Inc., May 1986

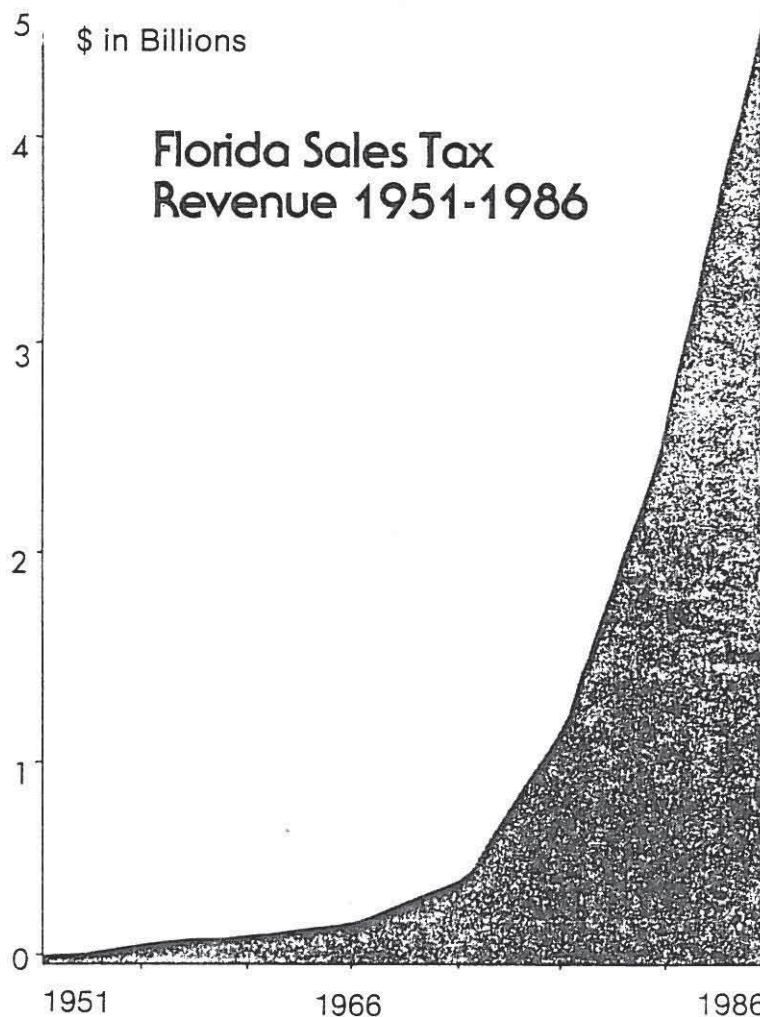
Growth in Sales Tax Revenue Explodes with Florida's Economy

Many state policymakers, particularly those charged with revenue forecasting, complain that the sales tax is a relatively unstable source of revenue. It is said to be "inelastic" (or relatively unresponsive) to Florida's economy and personal income growth. This does not mean sales tax collections do not grow as the economy grows, but that sales tax revenue does not always increase at the same rate, particularly from year to year. While such concerns are valid, a recent study by the Brookings Institution found that the sales tax is actually a more stable revenue source than the personal income tax for most states.

In recent years, sales tax revenue in Florida has outpaced the economy and population growth. Since 1980, population and inflation have risen a combined 37%, compared to a 53% increase in sales tax collections. During the past decade, sales tax revenue has climbed an average of 10% per year. A significant portion of the growth in sales tax revenue over the years has been the result of rate increases, the latest to 5% in 1982. However, this was only the second rate hike since 1949.

Sales Tax Facts

- Florida's sales tax base is growing at a rate that would have it double in five years.
- Collections have doubled since 1981.
- Per capita sales tax now tops \$400 annually.
- Florida ranks 7th in sales tax per capita.



Does Anybody Know Why? . . .

The following are just a few examples of sales tax exemptions which appear inconsistent or illogical.

? Chlorine is taxable when used in cooling systems but exempt when used in swimming pools.

? Dog food is taxable as is food for zoo animals. However, feed for horses is exempt.

? V-8 juice is taxable but tomato juice is exempt.

? Ice is taxable but water is exempt.

? Plastic stir sticks sold to bars for one time use are exempt, but other one time use items sold to restaurants (eg: toothpicks, placemats, menus and guest checks) are taxable.

? Food and drinks from vending machines located in public school lunchrooms are exempt. However, food and drinks from vending machines located anywhere else in public schools or at community colleges/universities are taxable. Likewise, lunches sold in public schools are exempt, but meals at community colleges/universities are taxable.

? Nurserymen are considered farmers for the purpose of purchasing (exempt) nursery stock, but producers when their (taxable) nursery stock is sold at retail. However, direct sale of livestock and agricultural commodities defined as horticultural are exempt.

? The sale of pure fruit and vegetable juices by a soft drink bar or roadside stand that is not licensed by the Department of Business Regulation is exempt, but the sale of bottled drinks by the same bars and stands is taxable.

? Charges for altering, repairing or re-modeling clothing are taxable, but charges for drycleaning are exempt.

? A car wash involving just detergents or water softeners is exempt, but the same car wash using wax or any other substance that forms a protective film is taxable.

? Meals sold by churches are exempt, but meals sold to raise money for charitable purposes are taxable.

? The sale of drinking water that contains carbonation or minerals in their natural state is exempt, but the sale of drinking water to which minerals or carbonation have been added is taxable.

? Individual items in a survival kit are exempt if they can be separated as to selling price. If not, the total price of the kit is taxable.

Source: Florida Department of Revenue, Sales and Use Tax Rules and Regulations, November 1985, Florida Tax Service, Statutory Exemptions From Sales And Use Taxes, December 1985 and Florida **TaxWatch**, Inc.

"Eliminating Exemptions? . . .

It's all a matter of whose ox gets gored. Unfortunately, all of the oxen have a way of turning into sacred cows."

Sales Tax Is Meant To Be A Pure Consumption Tax

Ideally, the sales and use tax should be applied to the retail selling price - or sale to the final consumer - and only at that point. Wholesale transactions for resale and those between stages of production should be exempt.

One benefit of a pure consumption tax is that it encourages saving and investment. When the taxpayer can readily see a direct tax levied exclusively on goods to be consumed - when they are consumed - he or she has an incentive to save rather than spend. This helps fuel economic growth because more private dollars are directed to banks, savings and loans, mutual funds and other investments that can be tapped for capital formation.

Taxing During Manufacturing Process Puts Hidden Tax on Consumer

The sales tax should not be levied on raw materials or producer goods which are inputs into, or part of, a manufactured product. Taxing inputs artificially distorts the cost of production and results in a hidden, multi-level tax on the consumer, similar to a value added tax. Levying taxes in this manner can adversely affect productivity by providing an incentive for Florida businesses to use otherwise non-optimal methods of production in order to avoid multiple taxation. **Another negative side effect of taxing producer goods is that some tax is hidden, thus preventing the consumer from assessing accountability for his/her tax burden, since the total tax paid is not levied at the point of purchase.**

Two ways to determine whether a product or service used by a business should be exempt as an input or producer's good are by "direct use" and "ingredient" tests. For example, component parts of a machine should not be taxed separately. Likewise, chemical ingredients which are used to make compound products should be exempt. However, items which are used by businesses to facilitate production, (eg: machinery, typewriters and

photo copiers) do not meet these tests. While taxing equipment increases the overall cost of production, it does not result in the product itself being taxed and retaxed. Therefore, sales tax on such items can be levied without causing the problems associated with taxing producer goods.

Goods and Services Used for the Same Purpose Should be Treated Alike

Goods and services that are direct substitutes for one another should be treated alike to help assure both equity and economic efficiency. For example, if the purchase of a washing machine and dryer is taxable, laundry services should also be taxed. Otherwise, consumer preference for the service over the good may be influenced by tax policy. This creates a competitive advantage for the service that would not otherwise occur if pricing were based purely on competition in the marketplace. Discrimination against the producer and seller of the taxed good or service in such cases is arbitrary and detrimental to the state's economy as a whole.

There are exceptions to the rule of taxing goods and services that can be substituted for one another. In some instances, policymakers purposely allow favorable tax treatment by choice of policy. This is done to encourage use of a particular good or service to derive a unique public benefit. The most common examples of such preferential treatment are for equipment purchased by new and expanding businesses locating in economically depressed communities, and encouraging alternative energy sources such as solar power and cogenerated energy. These exemptions are reflections of broad public policy aims, namely economic development and energy conservation. As long as such exemptions are in the public interest and correspond to some higher social or economic aim, the behaviors they encourage will result in public benefits (jobs and lower energy prices) that outweigh potential inequities.

In addition to consistency in taxing or exempting goods and services that can be substituted for one another, the sales tax should be applied uniformly to goods and services that are complimentary. For example, it would be inconsistent to tax medical services while exempting prescription drugs. Medicine is exempt because it is considered a basic necessity. Medical services are necessities just as much as drugs are and, therefore, should be exempt using the same logic. Also, it is questionable public policy to tax someone for being sick or acting to prevent illness.

exportability

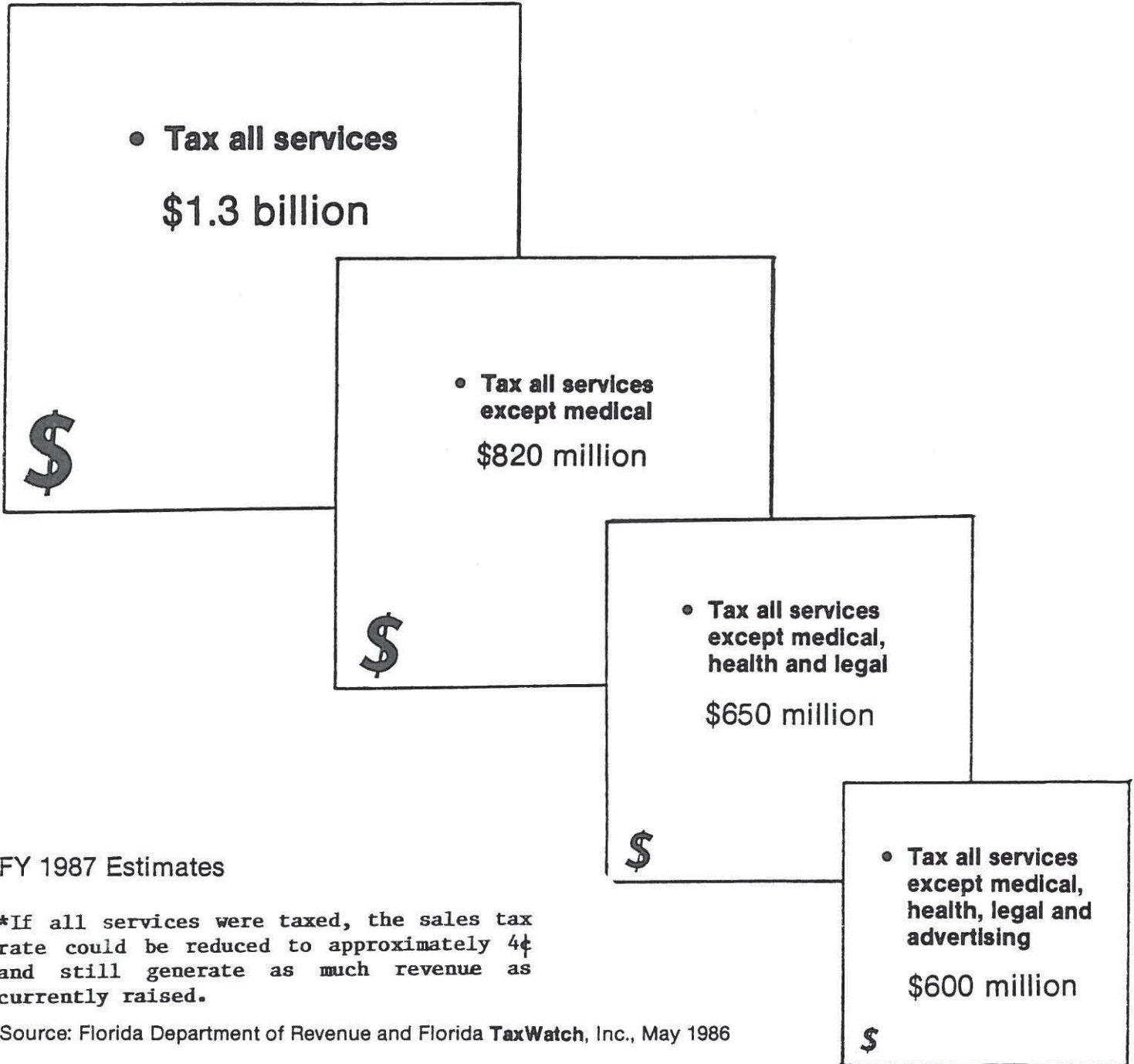
Florida relies more heavily on the sales tax for its general revenue needs than all but three other states. This is largely because our 40 million plus annual visitors leave behind an estimated \$900 million in sales taxes each year. Changes in exemption policy will have little significant effect on exportability. Those goods and services that tourists use and consume heavily (eg: hotel rooms, restaurant meals, alcoholic beverages and suntan lotion) - are already taxed. Whatever current exemptions are repealed, the burden of paying sales tax on more items will fall overwhelmingly on Floridians.

Why Sales for Consumption Should be Taxed and Sales Between Stages of Production Should be Exempt

- **Saving and Investment.** Pure consumption taxes encourage saving and investment when the buyer knows the tax is levied directly and exclusively on what is consumed.
- **Accountability.** Taxing during different stages of the production process artificially distorts costs, resulting in a hidden, multi-level tax on consumers. This prevents people from knowing exactly how much tax they are paying and who is responsible for it. When this happens, citizens have a difficult time holding politicians accountable for their tax burden. Furthermore, when taxes are "hidden" and taxpayers cannot readily connect costs and benefits, greater inefficiencies and a less responsive government likely result.
- **Efficiency.** Taxing sales transactions between stages of production can artificially induce consumers to substitute less processed, lower taxed items for more processed, higher taxed items - not because they would normally cost less, but because they are taxed less. This reduces the overall efficiency of our market based economy.
- **Productivity.** A production goods tax artificially affects business decisions regarding production methods. Taxing between stages of production would encourage businesses to manufacture for their own use. They would produce more of their own inputs and raw materials because of tax policy. This may cause less efficient, non-optimal methods to be chosen - resulting in lowered productivity.
- **Competition.** Businesses in other states where production goods are not taxed would have a competitive advantage over Florida-based businesses.

The Big Bucks Are In Services

Over one-third of the sales which are not taxed are concentrated in services. The revenue generating potential in removing service exemptions varies widely, depending on which are repealed . . .



Tax Policy Standards Needed for Exemption Evaluation

This year's sales tax exemption debate affords Florida lawmakers a rare opportunity to begin comprehensively evaluating our entire sales and use tax structure based on sound public policy and the long term best interests of taxpayers. In order to do this, some consensus must be reached regarding what constitutes desirable tax policy and, based on that policy, what general form the sales tax and exemption structure should take. Once standards of sound tax policy and criteria for the optimal form of a sales tax are established, exemptions can be evaluated based on these principles. This will enable the Legislature to avoid the temptation of "horse-trading" exemptions based on narrow special interests and political expediency.

Before any evaluation of individual exemptions takes place (aside from those that are clearly illogical or contradictory), general goals for the exemption structure

based on tenets of good tax policy should be adopted. The following are standards that Florida's sales and use tax can be measured against in setting such goals:

- Adequate revenue generating capacity with stable growth potential
- Ease/economy of administration
- Relevance to the economy
- Equity
- Consistency with state social and economic policy
- Simplicity and clarity to the taxpayer
- Accountability

These standards should be used to develop criteria/questions to be applied to each exemption, the answers to which will help determine whether the exemption comports with desired state policy. The recommended criteria/questions listed below have been suggested by legislators, other interested parties and Florida TaxWatch, Inc.

Recommended Criteria to Evaluate Sales Tax Exemptions

- What are the original reasons for granting the exemption? Are they still valid?
- Is there an identifiable benefit to the citizens of continuing the exemption? What is that benefit?
- What state policies does the exemption advance or adversely affect?
- Does the exemption support other state policies such as energy conservation and environmental protection?
- What is the overall economic impact of the exemption? Does it create additional jobs? Have businesses moved to or expanded to areas targeted by the exemption?
- Does the exemption make the sales tax more progressive?
- Does the exemption avoid double taxation?
- Does the exemption result in the sales tax being levied at the final point of consumption?
- Are similar goods and substitutes for the exempt good or service taxed?
- What is the impact of the exemption on economic development?
- What is the impact of the exemption on charities?

Conclusion and Recommendations

It is the ultimate responsibility of our elected lawmakers, representing the will of the citizens, to determine what form Florida's sales tax and exemption structure should take. Standards of good tax policy and specific evaluative criteria, including those recommended here, should be adopted by the 1986 Legislature as a statement of intent. Such a policy statement would help reduce uncertainty over the tax debate outcome that can adversely affect investment decisions and individual taxpayers. This first step is essential in undertaking a rational and comprehensive evaluation of sales tax exemptions.

If our legislators are to fully discharge their responsibility in setting tax policy, citizen input is also crucial. Florida **Tax-Watch** recommends appointment of a Commission to thoroughly study both the overall exemption structure and individual exemptions. Each would be evaluated as to whether it meets or does not meet the criteria adopted by the Legislature - based on both empirical studies in the field of public finance and testimony at public hearings regarding the impact of taxing or exempting goods and services in Florida.

The Commission should then file its report with the Legislature immediately after the 1986 general election. Those exemptions determined by the Commission as clearly not comporting with state policy would be recommended for sunset. During its November 1986 Organizational Session, the Legislature should vote on what exemptions

to sunset following the 1987 General Session - using the Commission recommendations as a guide.

This process would give the 1987 Legislature an opportunity to reconsider its previous vote and examine any additional data before actually repealing any exemptions. It would also give lawmakers time to thoroughly consider the administrative and audit implications of taxing items that have not been previously taxed. As additional goods and services become taxable, it is important that the state's audit capability be beefed up to assure that revenue collections are both thorough and equitable.

As taxes go, the general sales and use tax has performed well over the years as Florida's number one revenue source for meeting the service needs of our citizens. It is important that the tax be responsive to Florida's dynamic economy in order to meet the continued challenges of growth.

If the sales tax becomes unresponsive to the state's service demands, the potential for adoption of more onerous taxes becomes greater. A tax that is inequitable or encourages inefficient business decisions can do irreparable damage to our economic environment and quality of life. To prevent this from happening, it is important that our leaders act now to ensure the sales tax and all taxes are levied thoughtfully, rationally and fairly in helping pay for Florida's future.

"If to do were as easy as to know what were good to do; chapels would be churches, and poor mens' cottages princes' palaces."

William Shakespeare
Merchant of Venice

JOIN FLORIDA TAXWATCH

Government waste is a burden that no taxpayer should have to bear. Florida TaxWatch, Inc. exists for that very reason. As a non-profit, non-partisan research center, Florida TaxWatch is the only organized group of government wastewatchers in the state. Each year, Florida TaxWatch lifts off the bureaucratic cover of state government to find out how Floridians' tax dollars are really spent. Although it does no lobbying, its authoritative and readable research publications have a high track record — three fourths — of successful implementation.

As members, you can be in touch with a valuable resource of information. You will receive all of TaxWatch's publications including major studies, Brief Disclosures, Research Reports, In Retrospects, and the monthly newsletter *Capitol Focus*. Members also gain access to hard to get information from state agencies in an economic statistic gathering service which is available upon request.

If you would like to do something about your taxes, join Florida TaxWatch, Inc. and receive accurate information that gets results. You can share in TaxWatch's constructive work and in the resultant savings and improved government. Your investment is tax deductible.

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Florida TaxWatch Inc. is a non-partisan, non-profit corporation founded to advance efficiency and economy in government through research, fiscal analysis and public information. TaxWatch is supported solely by membership contributions from business and individual taxpayers.

What you can do about your taxes...

Budget crunches. Revenue shortfalls. Tax increases. Shifting of costly programs from the federal level to state and local governments. Population growth and increased costs for providing public services. Since many compounding factors are prompting officials of Florida's state and local governments to raise taxes for increased revenue, taxes are a direct concern to you and your business.

The next few years will be crucial for Florida. Sound, prudent fiscal and budgetary policies which will foster a sustained and diversified economic base need to be developed and vigilantly pursued.

Florida is at a crossroads.

You can sit on the sidelines—a spectator watching others decide the future of how your tax dollars are spent and what your Florida becomes. Or you can join Florida **TaxWatch**, Inc. and have an informed basis to get involved in determining the outcome.

TaxWatch is dedicated to:

- prompting cost saving improvements in Florida government
- providing timely information and meaningful citizen input in the complex budgetary process
- maintaining and enhancing credibility with responsible public officials, the news media and Florida citizens through careful, objective and well documented research publications.

You can share in **TaxWatch's** constructive work and in the resultant savings and improved government through your investment in a tax deductible membership. Remember, collecting and spending tax dollars is your business.

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