

# NEWS

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## **TAXWATCH TAKES ON TAX REFORM DEBATE** ***STUDY: Florida Fifth Highest In Taxes On Businesses***

**TALLAHASSEE** – Calling the 2002 tax reform proposal one of the most radical changes in 70 years, Florida TaxWatch today unveiled its action plan for a comprehensive and nonpartisan tax reform study, and urged lawmakers to review TaxWatch data prior to making revolutionary tax changes.

“A thoughtful, comprehensive reform of Florida’s tax structure calls for more than just a hasty rearranging of the attic,” said Dominic M. Calabro, President of Florida TaxWatch. “It requires concerted forethought, independent review, a comprehensive framework and deliberate debate by lawmakers and taxpayers concerning potential ramifications to people and businesses.”

Florida TaxWatch’s Center for a Competitive Florida is already conducting an independent review and comprehensive analysis of how to best modernize Florida’s tax system. The Center will release a series of ***Special Reports*** throughout February.

Additionally, the Center is organizing an Advisory Committee -- enlisting the best coalition of minds and professional expertise – to conduct meetings following the current legislative session. The Advisory Committee will study how to best promote through fair, efficient, stable and accountable tax policy, Florida’s ability to adapt competitively to the dynamics of the new economy, and the needs of Floridians and businesses.

The Center study will take into account a variety of interlocking variables:

- Capital formation in current and emerging markets,
- The distribution and increasing fluidity of factors of production,
- E-commerce, and taxation of remote sales over the Internet,
- Geographic mobility of firms and interjurisdictional tax competition,
- Deregulation of telecommunications, electricity and gas,
- Declining production of tangible goods relative to services, and
- Tort reform.

-More-

Additionally, Florida TaxWatch has just published its new report of ***How Florida Compares***, which shows that Florida ranked fifth highest in taxes on businesses. The report demonstrates how Florida's state and local taxes compare with those of the other 49 states:

- After rising two spots the previous year, Florida's per capita state tax ranking fell four spots in 2000. This ranking of 43<sup>rd</sup> is the lowest since 1985. Per capita collections rose only \$25 (1.6%), reaching \$1,553. This is still below the national average, which stands at \$1,921.
- Nationally, state and local governments have largely been avoiding tax hikes, so tax growth has been relatively slow. In fact, when viewed in terms of percentage of personal income, tax burdens are getting smaller, both nationally and if Florida.
- Florida's per capita combined state and local tax ranking fell five spots (2000 state data and 1999 local data) to 33<sup>rd</sup>. These taxes total \$2,641, up \$78 from the previous year.

"The Florida Constitution prevents some direct taxation of individuals—for example, the personal income tax and inheritance tax—, and it taxes many business inputs and transactions more than other states. With the phase-out of state and federal estate taxes, the incidence of taxes on businesses will increase. In reality, businesses collect taxes and then pass the burden back to consumers in higher prices for goods and services and lower wages," said Calabro

According to Calabro, business taxes have a strong influence on companies deciding against basing their business in Florida. "Under the 'old model,' it was understood that businesses would come to Florida anyway. Today, however, businesses can use new technology that allows them to compete in Florida and completely avoid the taxes associated with locating their companies in our state. The dynamics of global competition and remote sales—both over the Internet and catalogue sales—call for a new mindset if Florida is to remain competitive.

Florida TaxWatch is a non-partisan, non-profit research institution supported by homeowners, small businesses, corporations, labor unions, individuals and philanthropic foundations. The organization is dedicated to improving taxpayer value, government accountability and citizen understanding and participation in their state and local government fiscal policies.

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