

# NEWS

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## **“REVENUE NEUTRAL” JUST AN ILLUSION?** *Report takes issue with Tax Reform Proposal claim*

**TALLAHASSEE** – A special report from Florida TaxWatch’s Center for a Competitive Florida raises serious questions about the feasibility of revenue neutral tax reform.

“The use of the term ‘revenue neutral’ to describe the tax reform proposal currently before the legislature is largely disingenuous,” said Florida TaxWatch President Dominic M. Calabro. “The estimates used in crafting the plan are likely ‘best guesses’ and should not be considered any more than that.”

According to the report, revenue neutrality should mean that the new tax structure would raise the same amount of revenue as the old one during the same time period and under the same economic conditions. The Senate’s tax reform proposal sets a different standard, limiting the revenue in the first year of the tax to the previous year adjusted for growth regardless of what the current tax would have been expected to raise.

Estimating the value of all the exemptions from the sales tax is a difficult undertaking. Predicting how much revenue would actually be collected under a new taxing scheme is even tougher. Unlike products, many services do not leave a record of production and inventory, and tracking the quantity and value of services rendered is a daunting task. According to the report, significant compliance problems and under-collection should be expected under the new law. In addition, the claim of revenue neutrality fails to take into account the fact that the proposed expanded tax base will very likely grow faster than the current one.

“The backers of this tax reform proposal obviously know that any revenue neutrality will be fleeting,” Calabro said. “That became clear during the Senate floor debate, where claims of revenue neutrality were often followed by discussions of how the new revenue could help fund important government services.”

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Last week, Florida TaxWatch announced its opposition to the proposed tax reform plan, and urged lawmakers to consider comprehensive and nonpartisan tax reform study information prior to making revolutionary tax changes. “**Many Questions Remain About Impact of Tax Reform Proposal**” is the fifth in a series of Special Reports by The Center for a Competitive Florida. All of the reports are available online at [www.floridataxwatch.org](http://www.floridataxwatch.org).

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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Editors note: Dominic M. Calabro, President of Florida TaxWatch, will be available for comment **today** between 1:00 and 3:00 pm. He can be reached at (850) 222-5052.