

Briefings



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New Sales Tax Exemption Review Proposal Has Serious Flaws

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Yesterday, Florida TaxWatch issued a comparison of the House and Senate approaches to sales tax exemption review. Later last night, the House passed a Joint Resolution (HJR 833) which would propose a constitutional amendment to create a joint legislative committee to review all exemptions (and exclusions of sale of services) from the sales tax.

The proposal, which apparently has been agreed to by Senate leaders, contains elements of both approaches. Florida TaxWatch finds serious fault with some of those elements.

Under the HJR, which would be on the November ballot, a 12 member committee would be made up of six Senators and six House members. The committee would review all exemptions over a three-year period and submit its finding by March 1 of 2004, 2005 and 2006.

A simple majority (7 members) of the committee could decide to deauthorize an exemption or exclusion. But instead of the Legislature then having to approve the rescinding of an exemption, the committee's recommendation would have the force of law. The recommendation would become effective July 1 following the second regular session occurring after submission to the Legislature. This means seven legislators (out of 160) can raise taxes by hundreds of millions, possibly billions, of dollars. This is nothing short of what the founders of our nation called "tyranny of the minority."

The Legislature would have the power to reenact any exemption recommended for deauthorization, but absent any action, the exemption would be repealed. The recommendation of the committee would not be subject to the Governor's veto. The joint committee would be dissolved July 1, 2006.

Florida TaxWatch supports the thoughtful, deliberative and responsible review of sales tax exemptions but certain elements of the new proposal cause concern, such as the use of the Constitution to effectuate this plan. But most dangerous is the fact that a handful of Legislators (7) have the power to rescind sales tax exemptions that can have a profound impact on taxpayers, senior citizens, working families, employees and businesses, as well as the soundness of our economy. The requirement that the whole Legislature must act to reinstate an exemption deauthorized by the committee turns the Legislative process upside down. This is simply a variation of a "sunset

provision." The state should have learned from the services tax debacle of 1989 that this is not a prudent course to take.

This *Briefing* was written by Kurt R. Wenner, Senior Research Analyst, under the direction of Keith G. Baker, Ph.D., Senior Vice President and Chief Operating Officer. Steven L. Evans, Chairman; Dominic M. Calabro, President and Publisher

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