

Florida TaxWatch Hosts Summit on Immigration Reform

Since 9-11, tougher Federal immigration and security policies have been keeping foreign visitors away from Florida. In February, the Florida TaxWatch Center for Competitive Florida held an immigration summit "Florida's Tipping Point: Balancing Physical and Economic Security, Post 9-11" in Largo, Florida to bring together subject matter experts to discuss the impact these immigration and security policies are having on Florida's economy.

"This is an issue that's not in the headlines of the newspapers yet, but it's coming," said **John Zumwalt**, who chairs the TaxWatch Center. "The summit was a call to action for Florida businesses and taxpayers to come together and voice their concerns to our congressional members on economic hardships caused by a broken immigration system," said Zumwalt, who is President of Post, Buckley, Schuh & Jernigan, a Tampa engineering firm.

The day-long summit was built on previous research published by Florida TaxWatch in 2005, *Termites in the Basement: The Economic Impact of National Security Policy on Florida's Economy*. The Center for Competitive Florida is also developing follow up research to better quantify these impacts and the costs associated with them on Florida's economy and taxpayers.



Florida TaxWatch Center for Competitive Florida Chairman John Zumwalt and Executive Director Victoria Zepp pose for a picture outside of a breakout session during the Florida TaxWatch immigration summit "Florida's Tipping Point: Balancing Physical and Economic Security, Post 9-11" in Largo, Florida last month.

Summit attendees, ranging from Florida businesses and trade groups, to immigration attorneys within and outside of Florida, also voiced the need for policy reform to extend to the illegal immigrant population, which is increasingly important to keeping Florida's and the nation's businesses running.

"No one wants to be responsible for letting the next Mohammed Atta into this country," said **Tamar Jacoby**, a senior fellow at the Manhattan Institute, a conservative New York think-tank. "But we need to have immigration and visa policies that strike a better balance between our nation's physical and economic security. We need to build a secure border with open doors," Jacoby added.

Because of its geographic position to Caribbean, Latin and South American countries, Florida is at the crossroads of major international trade opportunities and has seized on that natural asset for the past two decades. Today, 15% of the state's gross domestic product (the total value of all goods and services sold in Florida) depends on international business, according to Enterprise Florida, the state's public-private partnership responsible for leading Florida's statewide economic development efforts.

"It's not high property insurance or property taxes that are keeping foreign investors away from Florida, they tell us, it's immigration policies," said **Manny Mencia**, Senior Vice President of Enterprise Florida. "People are having a hard time coming to Florida to visit their money," he added.

(continued on page 2)

INSIDE THIS ISSUE OF FOCUS

- *Property Tax Reform Update
- *Counting Tourism's Impact
- *TaxWatch members on the Taxation and Budget Reform Commission
- *Member Congratulations

Florida TaxWatch Hosts Summit on Immigration Reform (cont.)

“Many of our foreign nationals who own real estate here in Florida complain of the grilling they get each time they try to enter the country,” said **Tony Macaluso**, a Palm Beach Gardens realtor who attended and spoke at the summit. “These are well-documented people, who are healthy, wealthy and wise and don’t pose any threat.”

15% of real estate purchases made in Florida are by foreign nationals, according to the Florida Association of Realtors.

Macaluso says he’d like to see the federal government create a registration card for retired, non-working foreign nationals who are over the age of 55, to make it easier for them to come and go.

Another sizeable segment of foreign visitors are students. There are 26,000 foreign students in Florida right now, spending an estimated \$625 million dollars in education and living expenses. Foreign students pay the highest chargeable tuition rates, averaging three times more than a Florida resident.

“I believe we are at the point of losing our economic competitiveness,” said **Dr. Maria Crummett**, Dean of International Affairs at the University of South Florida. “We’re losing foreign students to the United Kingdom, Australia, Canada and Singapore, because the United States is not being seen as a friendly country.”

Previous Florida TaxWatch research noted that foreign student enrollment in Florida institutions declined by nearly 10% in the years from 2001-2004. Florida’s hospitals and specialty clinics also report a decline in their highly lucrative business of serving foreign patients.

The Florida TaxWatch summit also addressed the issue of illegal immigrants. Florida has at least 800,000 illegal immigrants, according to an analysis by the Pew Hispanic Center. Annually, 500,000 people cross the U.S. border illegally and

enter the workforce. 5% of our overall workforce is undocumented, due mostly to fraudulent documents, rather than U.S. employers not following the law.

Congress is currently working on legislation to create a temporary worker program to better monitor lengths of stays in the United States, while allowing immigrants to transfer to different jobs to avoid being taken advantage of.

One area impacted in Florida that is near and dear to taxpayers is road construction.

“We can now only perform half the work we used to due to a shortage of qualified and verified labor, because many Americans don’t want to do this work anymore,” said **Sidney Florey**, Operations Manager at Hubbard Construction Company of Orlando, Florida’s largest heavy civil construction company. “When all is said and done, road jobs will take twice as long at 50% more payroll,” Florey said.

The summit utilized interactive survey technology to poll participants on their individual situations. 39% reported feeling that they have illegal workers in their employment, despite following all of the rules to verify



Florida TaxWatch summit attendees broke out into small groups to discuss the impacts of strict immigration and visa policies on their prospective industries.

their legal status. 61% said they felt they had no illegal workers working for them. 82% said they felt their company would use a new worker program, when no American workers could be found.

Summit participants broke into smaller, industry-specific groups to strategize on what newspaper headlines in the year 2010 would ideally read about their industry, serving as a starting point to work backward on identifying needed immigration policies for today.

They identified the need to streamline the immigration process, including a workable guest worker program, as the priority issue the federal government needs to address.

“These are important issues that Florida TaxWatch is committed to helping resolve through future research, to measure these impacts and the costs to Florida’s economy and taxpayers,” said **Michael A. Jennings**, Chairman of Florida TaxWatch.

The momentum and ideas generated from the summit have led to the creation of a coalition called Florida Employers for Immigration and Visa Reform (FEIVR). The group’s goal is to provide timely information and input to Florida’s congressional delegation and other state and federal policymakers to assist the passing of a comprehensive immigration reform bill in the 110th Congress.

The group is in discussion with Florida TaxWatch to provide additional quantitative research on the economic impact that visa and immigration policy has on Florida’s overall economy. FEIVR is a volunteer coalition made up of businesses and individuals from assorted industries, such as restaurant and lodging, construction, transportation, telecommunications, engineering, security, legal, food and others. For more information, visit www.feivr.org.

Florida TaxWatch Urges Legislature to Focus on Relief Now, Reform Later

The Florida Legislature is feeling a lot of pressure to do something about property taxes this legislative session, but a recent Florida TaxWatch report recommends that the 2007 Florida Legislature provide relief now and allow the constitutionally created Taxation and Budget Reform Commission to perform a more thorough, thoughtful and deliberative study of Florida's property tax and local government spending crisis.

The Florida TaxWatch report, *The Property Tax Crisis: Legislature Should Focus on Providing Immediate Relief to All Taxpayers*, released this month makes several recommendations to the Florida Legislature on how to provide statutory property tax relief now, and long term, constitutional reform later.

Florida TaxWatch recommends:

- In turn with the House of Representatives property tax reform plan, the Legislature should require local governments to roll back their taxes. Florida TaxWatch suggests cities, counties and special districts roll-back their taxes for next year by the lesser of 10% or a two-year roll-back of rates (adjusted forward for population and inflation), providing taxpayers a tax cut of approximately \$1.8 billion.
- The 2007 Legislature should buy down the Required Local Effort (RLE), the millage rate levied by school districts that is required by the state to participate in Florida's school funding program. During the last several years, the state has failed to sufficiently roll-back the RLE millage rate, while property values have continued to soar. The RLE is a significant portion of Floridians' increasing tax burden and if reduced will provide relief to all taxpayers.
- Businesses in Florida have been the biggest bearers of the property tax increases. Florida TaxWatch has been a proponent of and commends the Governor for recommending that small businesses be exempt from tangible personal property tax. Florida TaxWatch recommends that the Legislature create a \$25,000 exemption for tangible personal property tax.

While the Florida Legislature can and should calm anxious property owners and the property tax markets by providing relief for Florida taxpayers this session, Florida TaxWatch recommends that they allow the Taxation and Budget Reform Commission to do a thoughtful, deliberative study of our property tax and local government spending challenges.

"With more time and a focused mission dedicated to studying the tax and budget systems of Florida, the TBRC can work toward recommending true, meaningful and long-lasting reforms that will not have the unintended consequences that the Save Our Homes amendment has had on Florida taxpayers, a lot more than the Legislature can do in the remaining weeks of session," said **Dominic M. Calabro**, Florida TaxWatch President and Chief Executive Officer.

The Taxation and Budget Reform Commission is positioned to fully evaluate all of the property tax reform options and offers voters in Florida a package that is fair to all taxpayers, helps keep future tax increases in check and creates a system that is good for Florida's competitiveness and economic vitality.

Florida TaxWatch Members Appointed to the Taxation and Budget Reform Commission

Former Florida TaxWatch Chairman **Barney Barnett** and three other TaxWatch board members were appointed to the Taxation and Budget Reform Commission. Barney is joined on the Commission by Florida TaxWatch Treasurer **Martha Barnett**, Board of Trustees member **Mark Bostick**, and former board member, **Nancy Riley**. The four are among 11 people appointed by Governor Charlie Crist to the constitutionally created commission that will meet for the next year, reviewing Florida's tax and budget system. House Speaker Marco Rubio and Senate President Ken Pruitt appointed the remaining fourteen members.

"The Governor couldn't have chose finer individuals to serve," said Dominic M. Calabro, President & CEO of Florida TaxWatch. "Each brings an intelligence, enthusiasm and keen perspective on public policy and issues of taxpayer fairness," said Calabro.

"Even before voters put Save Our Homes into the Constitution in 1992, Florida TaxWatch and others warned that it would be a property tax time bomb that would shift the tax burden to businesses and future home buyers without reducing government spending."

-St. Petersburg Times, March 6, 2007

A Look at Federal Taxes

A recent Associated Press article by Jim Abrams noted that the annual difference in what taxpayers owe and what they actually pay is \$300 billion. Think about what this could fund! Lawmakers insist that they are pressing the Internal Revenue Service (IRS) to be more aggressive in collecting taxes, but skeptics have reminded them that as long as the tax system remains so complicated, there isn't likely to be much change.

An IRS study from 2001 noted the tax gap at \$345 billion, resulting from \$197 billion in underreporting from individuals and \$88 billion in underreporting from businesses and self-employees. The remaining came from those not filling or mis-payments. After enforcement efforts and late payments were factored in, the gap was reduced to \$290 billion.

The National Taxpayer Advocate said that this translated into a "surtax" of approximately \$2,680 per household in 2001.

Representative John Spratt of South Carolina said, "It's not just a budgetary problem. It raises fundamental issues of moral fairness."

The IRS is claiming some progress. Enforcement revenue increased by \$13 billion, going from \$34 billion in the 2002 budget to \$49 billion in the 2006 budget. Additionally, the audit rate for individuals has doubled, increasing from 1 in 200 in 2001 to 1 in 100 in 2006.

However, according to Chris Edwards, director of tax-policy studies at the Cato Institute, the taxpayer compliance rate is one of the highest in the West, well above some European markets.

The U.S. rate of compliance has been in the mid-80 percent level over the last thirty years. He went on to say that he felt there would not be much improvement until the tax laws were simplified and noted that "every new loophole adds additional incentives and ability for people to cheat."

Even still, the IRS hopes to collect \$2 billion over ten years from a program starting in 2006 that allows collection agencies to help pursue delinquent taxpayers.

Nina Olson, of the National Taxpayer Advocate, summed up the article with the thought that cracking down on tax avoiders also will keep honest taxpayers honest. She said, "If compliant taxpayers believe that everyone else is paying his or her fair share, they are likely to remain compliant. But no one wants to feel like a tax chump."

Welcome to Florida TaxWatch

We would like to introduce you to Tiffany Koenigkramer, the new Florida TaxWatch Communications Director. Prior to joining Florida TaxWatch, Tiffany served as the Deputy Communications Director for the Florida Department of Management Services and as Deputy Press Secretary for the Agency for Health Care Administration. Her knowledge of government operations, especially cost-savings programs and Florida's privatization programs make her a great asset to the Florida TaxWatch team.

Tiffany graduated from Florida State University with a Bachelor of Science degree in Communications with a minor in Business and is currently finishing her Masters in Political Science.

Harvey Bennett continues to handle marketing and member issues, and will serve as a backup media contact when Tiffany is not available. If you have any questions for Florida TaxWatch, please feel free to contact Tiffany at tkoenigkramer@floridataxwatch.org or (850) 222-5052, extension 18.

Tourism's Impact on Florida May Be Greater Than We Know

Sandy beaches, infamous amusement parks, and world-class golf courses bring millions of tourists to Florida each year, giving tourism a vital role in Florida's economy. But Florida may not currently be tracking this economic impact as accurately as possible. A new research report by Florida TaxWatch recommends that the state of Florida use a Tourism Satellite Account method to more accurately measure the full impact of tourism expenditures on the state's economy.

Florida TaxWatch's report, *Florida Needs a Better Method to Estimate Tourism's Economic Impact*, explains that tourism is not a distinct sector; rather its impact spreads throughout several major economic sectors. The report strongly recommends that

Florida use a Tourism Satellite Account to track tourism's effect on our economy. Tourism Satellite Accounts are a systematic and consistent way to trace travel expenditures to the industries that produce tourism-related goods and services. The Tourism Satellite Account method was developed by the World Trade Organization and is used by several other states and over 70 countries, including the United States.

Florida TaxWatch recommends the use of a Tourism Satellite Account because it offers a reliable way to measure the size of the tourism industry in Florida and calculate its impact on the economy. Estimates provided by Tourism Satellite Accounts are comparable across countries, regions and states. They are consistent over time and they

are compatible with the standard measure of a national economy.

"Better information allows policy makers to make more informed decisions and produce better tourism and tax policies," said Dominic Calabro, President and CEO of Florida TaxWatch. "With the right information, policy makers can help Florida's taxpayers maximize the benefits from tourism in Florida."

The report's author, Dr. Necati Aydin, Senior Research Analyst at Florida TaxWatch, testified on the report's findings before the House Tourism and Trade Committee, at the invitation of its chairman.

Congratulations Hillsborough County Commission

Florida TaxWatch commends the Hillsborough County Commission for taking the first steps at true budget reform, by its action on February 7, 2007 to limit the increase in the county's annual spending to the rate of inflation plus the county's population growth. This has been a recommendation by Florida TaxWatch to local governments across Florida and in keeping with the cost cutting and tax saving proposals outlined in the Florida TaxWatch budget study on Hillsborough County government from 1999.

In August 1997, the Hillsborough County Commission voted to contract with Florida TaxWatch to review fiscal and programmatic issues and recommend ways to enhance the performance of county government. Earlier that

year, the Commission appointed a 15-member Blue Ribbon Committee on county finances, as an outgrowth of tax reform discussions during the county's budget deliberations, to undertake a comprehensive review and make recommendations regarding county revenues, expenditures and programs. In late 1998, Florida TaxWatch and the Blue Ribbon Committee submitted separate reports to the Commission recommending 130 improvements.

As TaxWatch and the Committee were completing their work, the Commission adopted new financial policies including funding a reserve account, and requiring preparation of a financial forecast and annual financial plan consistent with the Capital Improvement Plan. These policies helped to upgrade the

county's debt rating and helped the county weather post-September 11, 2001 conditions and the subsequent recession.

The Commission adopted annual budgets that were consistent with its financial policies during this period, and a 2002 Florida TaxWatch status report documented implementation of \$22 million worth of Blue Ribbon Committee and TaxWatch recommendations. In its report, TaxWatch urged the Commission to provide tax relief, particularly in view of a 13% increase in new revenue available to the county in 2002-03.

Congratulations Hillsborough County!

Florida TaxWatch Member Congratulations

Nolia Brandt, President & CEO of Brandt Information Systems, was recently named a Top Woman in Business for 2007 by the Tallahassee Democrat. Brandt Information Systems is a solid, successful small business with a well-defined and well-respected niche providing information service assistance to the state of Florida and, occasionally, the governments of neighboring Georgia.

Mikki Canton, with the law firm of Gunster Yoakley, was

recently appointed by Governor Bush to Miami-Dade College's Board of Trustees. Mikki also serves as a trustee of Mercy Hospital, the Florida Network of Youth and Family Services and Florida TaxWatch. She is also a member of the Board of Governors of Big Brothers and Big Sisters and serves on the Women's Leadership Board of Harvard University's John F. Kennedy School of Government.

A Florida Department of Environmental Protection building in Tallahassee was recently renamed the Bob Martinez Center

for former Florida **Governor Bob Martinez**. Governor Martinez was a passionate supporter of growth planning and Florida's landscape.

Florida TaxWatch Treasurer, **Martha Barnett**, was recently featured as a "Great Gator" in the University of Florida's alumni magazine, *UF Today*.

Michael A. Jennings, Chairman; Dominic M. Calabro, President and Publisher;
 Steve Evans, Chief Operating Officer; John Turcotte, Senior Vice President for Research; Tiffany Koenigkramer, Editor
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Florida TaxWatch is a statewide, non-profit, non-partisan taxpayer research institute and government watchdog that over its 28 year history has become widely recognized as the watchdog of citizens' hard-earned tax dollars. Our mission is to provide the citizens of Florida and public officials with high quality, independent research and education on government revenues, expenditures, taxation, public policies, and programs and to increase the productivity and accountability of Florida Government. On the web at www.FloridaTaxWatch.org.



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