



NEWS

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CONTACT: Tiffany Koenigkramer

Communications Director

850-222-5052

FLORIDA IS MISSING OUT ON AN ESTIMATED \$2 BILLION ANNUALLY ***Becoming a Full Member of the Streamlined Sales Tax Project is a Must***

TALLAHASSEE — At a time when the Florida Legislature is debating about how to relieve property taxes for Floridians, the state is leaving an estimated \$2 billion in uncollected sales taxes on the table. Remote sales, including Internet, mail-order and telephone, are rapidly rising and while such sales are legally taxable in Florida, for the most part, sales and use taxes are not collected on these transactions.

“The structural integrity of Florida’s sales and use tax system cannot be sustained when the fastest growing component, remote sales, remains largely uncollected,” said Dominic M. Calabro, Florida TaxWatch President. “If Florida can collect taxes that are lawfully owed, it can help eliminate inequities that hurt Florida taxpayers, businesses and local governments, as well as distort economic activity. “

In the Florida TaxWatch report, *Florida Must Become a Full Member of the Streamlined Sales Tax Project*, released today, researchers cite a University of Tennessee study that estimates that Florida missed out on \$1.1 billion in taxes on remote sales in 2003. The study also indicates that the estimated loss for Florida in 2008 will be over \$2.35 billion, for a total six-year loss of \$10.05 billion. The same study divided that loss between state and local governments. Over the same six-year period, Florida’s local governments’ loss of revenue could exceed \$327 million.

Remote sales transactions are taxable by Florida law, and by law in forty-five other states. Vendors without a physical presence in Florida are not required to collect and remit sales tax; that responsibility falls to Florida consumers. Currently, the Florida Department of Revenue only collects these taxes if the consumer voluntarily calculates and remits the taxes, but many Floridians are unaware of this requirement.

Not requiring remote vendors to collect sales tax creates a compliance issue and gives them an unfair cost advantage over Florida’s “bricks-and-mortar” and “clicks-and-bricks” retailers. The 6% to 7.5% price break is hard for Florida’s retailers to compete with, these retailers who hire Floridians, invest in stores in Florida, collect sales and use tax, and pay property and other taxes.

“Florida will continue to unnecessarily harm its ‘bricks and mortar’ retailers and the 1.4 million Floridians they employ until this clear competitive advantage currently provided to out-of-state retailers is corrected,” said Calabro.

In addition, this loss of sales to retailers hurts Florida’s economy overall. Using a conservative multiplier of 2.00, each \$100 million in lost sales creates an additional \$100 million loss in economic activity.

(More)

“Some lawmakers think that collecting sales tax on remote sales would be a tax increase or a new tax, but this is simply incorrect,” said Victoria Zepp, Executive Director for the Florida TaxWatch Center for Competitive Florida. “The tax is currently owed under Florida law, any sales taxes not collected by state and local governments can translate into other increased taxes and fees, such as higher property taxes.”

Currently, the Streamlined Sales Tax Project, a multi-state effort to examine the problems of sales and use tax collections from remote sales, has offered a proposal, the Streamlined Sales and Use Tax Agreement, to simplify and modernize tax laws in the member states, including the creation of a voluntary calculation, collection and remittance program.

The 2001 Florida Legislature passed legislation to join the Streamlined Sales Tax Project, but subsequent legislatures have failed to take the next step to become fully compliant. Since 2003, six bills have been filed to make Florida completely compliant, but none have passed. As of January 2007, 21 states have passed the required compliance legislation and have become full members of the project’s governing boards. In January 2008, six more states will become fully compliant. Florida, along with the remaining states, is a non-voting member of the project. Right now, compliance by vendors is voluntary pending congressional approval.

“Florida should not raise or institute new taxes until the state makes every reasonable effort to collect the taxes that are already legally owed and not collected,” said Calabro. “The state of Florida owes it to the millions of honest, hard working taxpayers to facilitate – not hinder – the collection of taxes legally owed but all too often not collected.”

To stay competitive with remote vendors, Florida’s retail sector needs the Legislature to pass legislation for full-implementation of the Streamlined Sales and Use Tax Agreement. The newly re-appointed constitutional Taxation and Budget Reform Commission should thoroughly assess this critical tax policy, to ensure that Florida taxpayers are able to keep the type of tax system they clearly prefer for the next twenty years.

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Florida TaxWatch is a statewide, non-profit, non-partisan research institute that over its 28 year history has become widely recognized as the watchdog of citizens’ hard-earned tax dollars. Its 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.