



April 4, 2008

Legislative Update

Fifth Week of Session, March 31 – April 4, 2008

Both Chambers' Budget Proposals Now Ready for Floor Debate; Senate Raises Property Taxes, House Raids Transportation Revenues

This week, the House and Senate both got their budgets ready for floor debate, which is scheduled for next week. The House Policy and Budget Council advanced its \$65.1 billion spending plan, including an amendment allowing the Governor to use reserves to balance the budget if there is another reduction in revenue forecasts after legislators leave town in early May. Under the House plan, the Governor could use up to \$700 million from the Budget Stabilization Fund and up to \$1 billion from the Lawton Chiles Endowment Fund. It would require approval of the joint Legislative Budget Commission.

The Senate Fiscal Policy and Calendar Committee submitted its \$65.9 billion budget, which includes a \$484 million increase in required local effort (RLE) school property taxes. The House rolled back the RLE millage rate to keep the taxes at the same level as last year. The House was still able to provide a bit more funding for education, largely by raiding the State Transportation Fund for \$639 million.

Both chambers propose a 6% tuition increase, and the Senate also proposes a new tech fee, equal to up to 5% of tuition, for colleges and universities. Students at each institution would have to pass a referendum to establish the fee.

This Week's Bill Action

Corporate Income Tax "Piggyback." Every year, the Legislature passes a "piggyback" bill that conforms Florida's corporate income tax code to the federal code by picking up annual changes. [HB 5065](#) passed the Policy and Budget Council on Thursday and [SB 1586](#) cleared Finance & Tax on Wednesday. Florida TaxWatch supports these annual bills, which make tax compliance less burdensome for businesses and enforcement easier for the state. This year's legislation is a little different than the usual version. It still conforms the tax codes, allowing

businesses to keep one set of books and use federal taxable income as the base for Florida's tax; however, the taxpayer must add back the increased federal depreciation deduction provided by the (Federal) Economic Stimulus Act of 2008. Allowing businesses to apply that deduction to their state taxes would have saved them \$146.8 million next year. While it would have been preferable to extend that stimulus to state taxes, such a big hit to state revenues does not have much legislative support given the current budget climate. Moreover, the legislation advances the due date for quarterly estimated taxes from July 10 to June 30, which provides an extra payment in FY 2008-09, adding \$93.8 million to the state coffers for the next budget. However, there will be less money next year.

Hurricane Preparedness Sales Tax Holiday. **HB 111** would create another sales tax holiday for hurricane supplies from June 1 to June 12, 2008. Last year's holiday was estimated to have saved taxpayers \$15 million. [The bill cleared the Economic Expansion & Infrastructure Council this week and now goes to Policy & Budget.](#) The Senate companion (**SB 86**) has yet to be heard.

Back to School Sales Tax Holiday. **HB 893** establishes a sales tax holiday from August 2 to August 11, 2008 for books, clothing, footwear, wallets, and bags that cost \$50 or less, and school supplies that cost \$10 or less. It is estimated it would save taxpayers almost \$50 million. [The bill cleared the Schools & Learning Council this week and now goes to Policy & Budget.](#) The Senate companion (**SB 2094**) has yet to be heard.

Financial Management by Local Governments. **SB 640** designates the clerk of the circuit court (clerk) as the county auditor, when not otherwise provided by county charter or special law approved by vote of the electors. In the role of county auditor, the clerk is required to prepare the annual financial report of the county and may perform such reviews and tests as necessary to determine the adequacy of internal controls and compliance with contracts, applicable laws, and rule. The bill also designates the clerk as accountant of the board of county commissioners. A pending amendment will provide for the clerk to have the county auditor role only if the county does not employ an internal auditor or if the board of county commissioners expressly authorizes him or her to do so. Another pending amendment provides for the clerk to act as the board's accountant only if authorized by the board of county commissioners to do so. Florida TaxWatch supports SB 640, as currently written, to clarify and preserve the current level of local government accountability. [The bill was discussed by the Community Affairs Committee, but a final vote on the pending amendments and the bill was temporarily postponed.](#)

Property Tax Challenges. A number of bills look to "level the playing field," including proposed constitutional amendments **HJR 7005** and **SJR 2234**, which would remove the presumption of correctness from the property appraiser in property tax assessment disputes. **HB 1283** is an approach supported by Florida TaxWatch to reduce the burden of proof on the taxpayer to a preponderance of the evidence. [This week, both HB 1283 and HJR 7005 passed the Policy & Budget Council and were placed on the Calendar.](#) The Taxation and Budget Reform Commission has already passed a statutory recommendation similar to **HB 1283**.

Corporate Income Tax Credit Scholarship Program. The Legislature is quickly moving toward an upgrade of the Program which (does what?), and has long been supported by Florida TaxWatch. Provisions include increasing the \$88 million maximum credit by \$30 million annually for five years to a total of \$238 million, allowing siblings to participate, and increasing scholarship amounts. It now goes to the floor. [SB 1440 narrowly passed the Finance & Tax Committee this week, and was amended to make children in foster care to eligible.](#) **HB 653** is on the House calendar.

Economic Development. Legislation supported by Enterprise Florida is moving through the process. **SB 1398** and **HB 733**, which would provide a tax credit for research and development expenses, have both cleared committee. **SB 2310** adds economically targeted investments as an asset class in which the State Board of Administration is authorized to invest. [The bill was unanimously approved by the Finance & Tax Committee this week.](#) **SB 850** and **HB 293** would establish the New Markets (Corporate Income) Tax Credit Program to encourage capital investment in rural and urban low-income communities. [The Commerce Committee passed a committee substitute for SB 1120 this week.](#) The bill creates the Florida Research Commercialization Matching Grant Program to assist small or startup companies that take advantage of federal and state partnerships to accelerate their growth and market penetration.

Space Industry Development. [The Senate Commerce Committee passed a package of four bills to promote the space industry and economic development this week.](#) The bills would provide \$15 million to refurbish the launch complex at Kennedy Space Center, extend tax credits to space contractors, and promote university involvement in space-related research and development.

New Local Option Sales Tax. **SB 926** authorizes a local option sales tax of 2 percent tax on food and beverages sold in hotels and motels. The proceeds from this tax are to be allocated to the local school district and used to fund K-12 education services. Currently, only Miami-Dade is authorized to levy such a tax, and its proceeds are used for tourism promotion. That tax would remain and Miami-Dade could not levy the new tax. [The bill passed the Commerce Committee this week.](#) There is no companion in the House.

Sales Tax Exemptions. [Senate committees passed two bills this week which would repeal two sales tax exemptions that are most often cited as examples of unjustified tax breaks.](#) **SB 2324** would repeal the exemption from the sales and use tax on the rental, lease, sublease, or license for the use of a skybox, luxury box, or other box seats during high school or college football games. The exemption is currently enjoyed only by non-profit organizations. **SB 2320**, which would remove the sales tax exemption for ostrich feed, was temporarily postponed. There are no companions in the House.

Transparency in Local Government Contracting. **SB 392** requires local governments and state agencies to electronically post specific information on contracts and directs the Department of Financial Services to develop and maintain a portal linking to websites containing this information. Website access must be provided to the public free of charge. [The bill cleared its third committee stop – Finance & Tax - this week.](#)

Save Our Homes Quirk. Legislation (**HB 1279** and **SB 2506**) has also been filed to “fix” a little-known quirk in Save Our Homes. Under current law, if the just value of a house under SOH protection falls, the assessed value of the home will still increase by the SOH limit (the lesser of 3% or inflation), as long as the assessed value is still below the just value. While it certainly seems unfair for someone’s taxes to rise when their property’s value falls, this quirk does have the effect of reducing the property tax shift to non-homestead properties. [HB 1279 was scheduled for its first hearing this week, but the meeting was cancelled.](#)