



# NEWS

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## **Florida TaxWatch Report Shows that Vital Streamlined Sales Tax Legislation can be Immediately Revenue Neutral and Still Have Significant Long-term Fiscal Benefits**

**TALLAHASSEE** — The Legislature is again poised to fail to bring Florida into full compliance with the Streamlined Sales and Use Tax Agreement (SSUTA) – the most viable method currently available to improve the collections of legally owed taxes on remote sales. The main resistance to vital tax compliance legislation has been the negative fiscal impact to the state in Fiscal Year 2009-10 — a roadblock of serious consequence in the current fiscal climate. However, a new Florida TaxWatch Briefing released today, [\*How to Make Streamlined Sales Tax Legislation Revenue Neutral\*](#), explains how to make the compliance legislation immediately revenue neutral for the state, and yet still enjoy the significant long-term fiscal benefits that have repeatedly been shown by Florida TaxWatch research over the years.

“Implementing the streamlined sales tax legislation is one of the most important, and yet most difficult, issues facing the Florida Legislature,” explained **Dominic M. Calabro**, President and CEO of Florida TaxWatch, the nonpartisan, nonprofit, independent research institute and government watchdog. “Improving our system of collecting legally owed taxes on remote sales is not only an important fiscal issue, it is also fundamentally necessary to upholding the rule of law and protecting the integrity of Florida’s consumption-based tax system. Furthermore, this modernization of Florida’s tax system is critical to Florida’s business community, especially our state’s small businesses, who are hurt most by the competitive advantage afforded to out-of-state remote sellers.”

A University of Tennessee study showed the state is losing at least two billion dollars each year in rightfully-owed, but largely uncollected sales and use tax on purchases by Floridians outside of the state via the Internet, mail, and phone order. The study estimated Florida’s local governments’ loss of revenue exceeding \$327 million over a six year period. Vendors without a physical presence in Florida are not required to collect and remit sales tax; that responsibility falls to Florida consumers. Currently, the

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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.

It will cost Florida some money though to fully comply with the SSUTA. The last official estimate (made in 2005) forecasts a recurring \$41.5 million revenue loss to the state – due mostly to the SSUTA’s requirement of adopting the *rounding method* for sales tax calculations, instead of Florida’s current *bracket method*. **However, the revenue impact estimate only considers the potential negative effect on state revenues; the estimate is actually almost revenue neutral when state *and* local revenues are both considered.** The official 2005 estimate also forecasts a \$41.1 million positive impact to local governments — mostly due to the removal of the \$5,000 discretionary sales surtax cap for retail sales of tangible personal property, except for the sale of motor vehicles, aircraft, boats, modular homes, manufactured homes, or mobile homes.

**To make the legislation revenue neutral to both state and local governments, the Legislature could adjust the distribution formula for the Local Government Half-Cent Sales Tax Clearing Trust Fund in order to decrease the revenue from the state sales tax that is shared with local governments.** The state currently shares nearly \$2 billion of the state’s 6% sales and use tax with local governments. Reducing those shared revenues by \$41.1 million would make the SSUTA legislation revenue neutral for local governments and reduce the state’s negative revenue impact to \$400,000. Or, local revenue sharing could be reduced by \$41.5 million to make the legislation revenue neutral for the state, but that would cost local governments \$400,000 in revenue.

Recalculating the formula to make the SSUTA revenue neutral would not just benefit the state at the expense of local governments; the SSUTA would financially benefit Florida’s local governments as well. **Kurt R. Wenner**, Florida TaxWatch Director of Tax Research, explains, “Using a reduction in revenue sharing to make sure the legislation does not cost the state money is justified since the legislation would still be revenue neutral for local governments as a whole and local governments will share (more than 10%) in every added state sales tax dollar the Streamlined Sales Tax legislation ultimately brings to Florida.”

For years Florida TaxWatch research has made clear that legislation implementing the SSUTA is necessary to improve tax compliance by modernizing and simplifying our sales and use tax system, end the competitive disadvantage placed on Florida “bricks and mortar” businesses, and take an essential step towards collecting the estimated billions of dollars currently owed the state.

[Click here to view the full report](#) or visit [www.FloridaTaxWatch.org/research](http://www.FloridaTaxWatch.org/research).

**Media Note: Kurt Wenner, Florida TaxWatch Director of Tax Research and author of the Briefing, will be available in person or by phone for further information. Please contact Robert Weissert at 850-222-5052.**

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Florida TaxWatch is a statewide, non-profit, non-partisan research institute that over its 30 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 state and local government. Its support comes from homeowners and retirees, small and large businesses, philanthropic foundations, and professional associations. On the web at [www.FloridaTaxWatch.org](http://www.FloridaTaxWatch.org).