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Florida TaxWatch Calls for Special Session to Clarify Corporate Income Tax Law to Avoid Potential Loss of Jobs and Further Harm to Florida's Economy

Florida TaxWatch today released a new report concluding that the Florida Legislature needs to clarify the corporate income tax law in order to avoid further harm to Florida's economy. The Florida TaxWatch Briefing, ***Special Session is Needed to Clarify Corporate Income Tax Law: Legislature Must Act Immediately to Avoid Potential Loss of Jobs and Further Harm to Florida's Economy***, recommends that the Legislature convene a Special Session to make the clarification, preferably in conjunction with the Legislature's Organization Session beginning on November 18, 2008.

The report explains that the Legislature must act immediately to prevent some severe and unintended consequences. The way that the law is interpreted by the Florida Department of Revenue, if taxpayers elect to take the bonus depreciation on their federal taxes, they will lose 50 percent of their depreciation deduction from their state taxes permanently. Thus, state taxpayers are now in a no-win situation, where their choices are: 1) to not take advantage of the federal tax breaks; or 2) to face a state tax increase.

"It is vital to the Florida's economic recovery that the Legislature clarify this issue as soon as is practical," explained **Dominic M. Calabro**, President and CEO of Florida TaxWatch, the nonpartisan, nonprofit research institute and government watchdog. "If this is not corrected soon, Florida's economy will potentially suffer significant and lasting harm. We call on the Governor and Legislative Leadership to convene a special session of the Legislature before December 15 to correct this problem and clarify that HB 5065 was not intended to result in a loss of state taxpayers' depreciation deductions."

The report explains that this issue must be remedied now. On December 15, 2008, many corporate taxpayers must make their estimated federal income tax payments. If the law is not clarified by this date, many taxpayers will have no choice but to elect not to take advantage of the federal economic stimulus provisions. Other cash-strapped companies would be faced with increased estimated state tax payments and uncertainty would be injected into the financial statement process. All these impacts are especially undesirable for our state in this current economy. Not fixing this now will blunt the benefits of the federal stimulus at a time when these benefits are needed to stimulate capital investment and create jobs. Clarifying the law to reflect what the Legislature intended will not reduce estimated state revenues.

The report concludes with the Florida TaxWatch recommendation that the Governor and/or the Speaker and President call a special session of the Legislature in conjunction with the organizational session scheduled for November 18, 2008, to correct this problem and to clarify that HB 5065 was not intended to result in a loss of state taxpayers' depreciation deductions.

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Florida TaxWatch is a statewide, non-profit, non-partisan research institute that over its 29 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.