Who pays and who benefits from Florida's current state and local tax structure? A three-year Florida TaxWatch study of government benefits and tax burden reveals that certain Florida households receive more state and local government benefits while paying less state and local taxes. Which ones? Those that consist of an unemployed, single parent living in public housing with one or more school age child and no income or source of cash from savings, investments, child support/alimony or self employment.

By contrast, households receiving the least direct state and local government benefits and paying the most state and local taxes (sales and property) are single or married, employed (both if married) homeowners without children and with income of at least $30,000 (single) or $45,000 (married) excluding Social Security benefits. These two household types are identified as SINKs (single income, no kids) and DINKs (double income, no kids).

These are key findings from a study entitled: Florida Household Government Benefits and Tax Burden, which was conducted by the Ft. Lauderdale-based Growth Management Services Institute (GMSI), under the auspices of Florida TaxWatch. It was researched and written by Dr. Keith Baker, GMSI President and Dr. Craig E. Reese, Professor, Accounting and Taxation, St. Thomas University in Miami. Both authors are Florida TaxWatch Senior Research Fellows. Florida TaxWatch is a statewide, private, non-profit research institute and government watchdog supported by individuals, companies, professionals, labor groups and philanthropic foundations.

The purpose of the study was to provide citizen/voter/taxpayers (CVTs) and elected representatives with empirical information on who pays and who benefits from Florida's current state and local tax structure. The study's findings will enable citizens and elected officials to take a more balanced and comprehensive view of tax equity in Florida.

The study essentially is a "photograph" of one year's data (1989) of Florida household benefits and tax burden.
The study also analyzed households in Florida’s seven most populous counties: Dade, Broward, Palm Beach, Pinellas, Hillsborough, Orange and Duval. Each of these counties was analyzed in respect to the relative percentage and number of net benefactor households in these counties.

The presumed "ideal" Florida household is a two-parent family with one or both parents working and one or more children under age 18, referred to in the study as the Traditional Family household. However, just 22% of Florida households fall under this broad category. Nearly nine out of ten such households have incomes of more than $15,000 per year. Consequently, less than 10% are eligible for state social welfare program benefits.

The data shows that per student education benefits weigh more heavily in determining households that directly benefit—more than even AFDC or Medicaid. Although there are more Medicaid recipients (one million in 1989-90) than AFDC benefits (more than 355,000 in 1989-90), the state spends less on these two programs combined than state and local government does on education funding. Nevertheless, households receiving both social services, or even Medicaid only, generally are net benefactors, because low household income level is necessary for both AFDC and Medicaid.

Traditional families and modern, one-parent families with one or more school-age child(ren) are net benefactors, even if they own a home. Both family households benefit from education expenditures. In general, households with lower incomes and several school-age children are the ones most likely to be net benefactors, if they do not own a home. However, households owning a home but including no child or a child(ren) under six would pay more in state sales tax (assuming that household income exceeds expenditures for food and shelter) and local property tax than they receive in education benefits if no household member is attending a publicly supported post secondary educational institution.

The Modern Family household benefits from AFDC where its household income is below the poverty level, there is/are no child(ren) over five years old and the family is either renting or living in public housing. AFDC-qualifying modern families also benefit from Medicaid because of low household income and/or other reasons. Even if families of Traditional or Modern Family households with one school-age child pay state sales and all of the property tax on a personal residence, the average education benefit per public school student of $4,877 exceeds the taxes paid by such home-owning family households, whatever the household income level.

A wealthy family with an income of $50,000 or more residing in owner-occupied housing might pay more in sales and property taxes than it receives in education benefits for one school-age child. If two children are school age, even these wealthy families can be net benefactors. Such wealthy households, referred to in this study as Wealthy Traditional Family households, are seldom eligible for social programs, although many have one or more children in public school. Statewide, they amount to 7% of households and may not be considered wealthy if it takes two parents to earn $50,000.
The study finds that very few childless single or double income, single or married couple households or households with persons of retirement age are net benefactors. Few with one or more persons of retirement age would be net benefactors because neither the education benefit nor AFDC would be available and only those with low incomes would be eligible for Medicaid in lieu of Medicare. "Historically retirees have been most generous to the tax system, given the fact that they contribute," commented Florida TaxWatch Senior Vice President of Research and Operations Dr. Neil S. Crispo.

Despite reports that the two-parent family is disappearing, only 8% of Florida households are single-parent. But more than 40% of these have incomes of $15,000 or less; almost 40% probably qualify for some form of state welfare benefits; and most have at least one child attending public schools. Low-income households generally pay less tax no matter what their demographic attribution.

A household category which media reports suggest is common consists of one or two adults over age 64 and one or more children under 18 (grandparents rearing grandchildren), the three-generation family household. When these households have incomes of $15,000 or less they are eligible for some state social programs. Most of them have at least one child attending public school. While the Three-Generation Family household may be growing in numbers, it constituted only about one percent of Florida households in 1989. Consequently, the study did not include a detailed analysis of this household category.

"Before our tax system can be altered in a fundamental way, it will be necessary to know who benefits most and least by the government services taxes buy," said Crispo. "We must take into account the impact of demography upon our tax sources and public spending because the demographic nature of growth will in the future dictate the demands that are placed on the state and the informed consent of Florida's voters and taxpayers to change the form and amount of their taxpayer investment."

One of the authors, Dr. Keith Baker, concluded by saying, "Our finding that the state sales tax is not as regressive as other recent studies have shown may be disconcerting to some people. However, to calculate the Florida sales tax base at the household level as we have done is more surgically precise than having to depend on assumptions as some of the aggregate data studies have done."

In examining direct state/local benefits vs. state/local tax burden, the following questions must be answered:

- Is state and local government performing key and relevant public functions?
- Is government at state and local levels performing services in a cost effective manner?
- Are government services delivered in an accountable fashion that includes honest assessments that focus on continued improvement to meet the changes of time and circumstances?
- Does state and local government demonstrate to the producers of tax resources that their tax dollars are generating a civic dividend to a healthier, more socially auspicious community?
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