



## Big Tax Cuts May Pass If Legislature Resolves Health Care Differences

At the midpoint of the legislative session, the Florida Senate and the House of Representatives are stalemated over the issue of health care expansion under the Affordable Care Act and funding for the Low Income Pool (LIP).

The LIP program is a local/federal match “designed to fund supplemental payments to hospitals that provide services to Medicaid recipients, the uninsured, and underinsured individuals.” It also “authorized supplemental Medicaid payments to provider access systems, such as federally qualified health centers, county health departments, and hospital primary care programs. Under current law the funding associated with the LIP will expire on July 1, 2015.<sup>1</sup>

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Out of dozens of tax cuts proposed in the House or Senate,<sup>2</sup> House leaders have packaged 17 for passage, totaling \$690 million.<sup>3</sup> That total exceeds the tax cut proposals of Governor Rick Scott, who outlined \$673 million in cuts in his budget proposal.<sup>4</sup> Senate leaders have not yet announced their package of cuts, although several, totaling about \$800 million, have cleared the Senate Finance and Tax Committee.<sup>5</sup> The Senate has included no tax reductions in its budget, awaiting movement by the House on the two health care issues.<sup>6</sup>

One cut on which there is agreement is the most expensive cut proposed, a reduction in the communications services tax, currently a 6.65 percent levy on telephones and cable and satellite television.<sup>7</sup> A cut of 3.6 percent to 3.05 percent would cost the state \$471 million annually.<sup>8</sup> That proposal was advanced by Governor Scott in his tax cut package and was included in the House-

announced tax cut plans. A bill cutting the rate to 3.05 percent (Senate Bill 110, now SJ192) has passed three committees in the Senate and awaits action in the Senate Appropriations Committee.<sup>9</sup>

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The size of the proposed cut is put in context when compared to funding amounts contained in the House budget.<sup>11</sup> The \$471 million cut would be:

- larger than the entire Voluntary Prekindergarten Program budget
  - almost as large as the budget of the Department of Juvenile Justice.
- larger than the \$422 million increase in local property taxes required in the House budget for public schools.
  - more than three times larger than the \$141 million increase in state funds for state universities.
  - 16 times larger than the \$29 million increase in state funding for state colleges.
  - More than the total state funding for state student financial aid to college and university students.
  - 75 times larger than the \$6.3 general revenue increase for Alzheimer's respite services for 167 seniors throughout the state and funding for an additional 406 seniors in the Community Care for the Elderly program.

The House did not include changes to the corporate income tax in its package. Governor Scott had proposed raising the amount of profit exempt from the tax from \$50,000 to \$75,000.<sup>12</sup> In the Senate, Senate Bill 138 accomplishes the Governor's proposal, at an annual cost of \$18.7 million. It has cleared two committees; no action has yet occurred in the Appropriations Committee, the third committee to which it was referred.<sup>13</sup>

### **Other Tax Cuts in House Package**

Elements of the House tax cut package in addition to the communications services tax and their annual cost:

- Exempt books sold at book fairs from sales taxes, \$2.8 million
- Exempt sales tax on school concessions, \$1.7 million
- Exempt gun club memberships from sales taxes, \$1.2 million
- Back to school sales tax holiday, July 31-August 2, \$44 million in 2015-16
- Small business Saturday sales tax holiday, \$40.3 million in 2015-16

- Deployed service members tax exemption increase, \$0.2
- Exempt vehicles bought by service members overseas and brought back to Florida from sales tax, \$0.8
- New corporate income tax credit for defense contracting companies that hire Florida-based subcontractors, \$5.5 million (CS/SB980 in Senate)
- Additional funding for corporate income tax credit for research and development in Florida, \$42 million in 2015-16
- Reduce sales tax rate on rent of commercial property from 6 percent to 5.8 percent, \$53.1 (SB140 in Senate cuts the rate from 6 percent to five percent, \$265.2 million)
- Additional sales tax exemptions for agricultural items, \$13.4 million (SB398 in Senate)
- Aviation fuel for higher education programs, \$0.9 million
- Exempt college textbooks from sales tax, \$43.7 million (SB938 in Senate)
- Increase in environmental cleanup tax credits, \$12.0 million in 2015-16
- Increase property tax exemption for widowed, blind, or total disabled, \$41.3 million
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#### Other Tax Cuts Proposed by Governor

- Eliminate the sales tax on manufacturing equipment and machinery, \$142.5 million
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- Increase profit exempted from corporate income tax from \$50,000--\$75,000, \$18.4 million (SB138)

*The needs of the state suggest that now is not the time to pass \$600 million to \$800 million in tax cuts.*

#### Conclusion

With a \$4 billion difference in the two chambers' budget proposals and a growing stalemate over health care funding, it is likely that the 2015 session will close without passing the budget, the only constitutionally mandated requirement of the legislature. A \$4 billion gap makes it almost impossible to allocate funds to subcommittees to work out differences in conference. Florida's current budget ends on July 1. If no budget is approved by the end of this session, legislators will have to return to Tallahassee in a special session to adopt a budget.

Funding for the Low Income Pool ends on July 1, reducing funding for the budget by \$2 billion. Even if half of that is eventually replaced, the needs of the state suggest that now is not the time to pass \$600 million to \$800 million in tax cuts, many of which benefit a few selected businesses along with a small return for consumers even while serious issues of life and death require limited state resources.

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## Endnotes

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<sup>1</sup> Bill Analysis, Senate Bill 2512, Florida Senate.

<http://www.flsenate.gov/Session/Bill/2015/2512/Analyses/2015s2512.ap.PDF>

<sup>2</sup> Revenue Estimating Impact Conference. <http://edr.state.fl.us/Content/conferences/revenueimpact/index.cfm>

<sup>3</sup> “House Preparing to Release \$690M Tax Cut Package (See Breakdown), Political Fix Florida, March 24, 2015.

<http://www.politicalfixflorida.com/2015/03/24/house-preparing-to-release-690m-tax-cut-package-see-breakdown/>

<sup>4</sup> “Governor Rick Scott’s Keep Florida Working 2015-16 Budget,” Office of the Governor.

<http://www.keepfloridaworking.com/content/current/TaxCuts.htm>

<sup>5</sup> The Florida Senate Committee on Finance and Tax. <https://www.flsenate.gov/Committees/Show/FT>

<sup>6</sup> “Big gap between House, Senate budgets centers on health care,” Palm Beach Post, March 25,

2015. <http://www.mypalmbeachpost.com/news/news/state-regional-govt-politics/big-gap-between-senate-house-budgets-centers-on-he/nkfYh/#5dc59d4f.3803410.735683>

<sup>7</sup> Bill Analysis, CS/CS/Senate Bill 110, Florida Senate.

<http://www.flsenate.gov/Session/Bill/2015/0110/Analyses/2015s0110.ft.PDF>

<sup>8</sup> Bill Analysis, CS/CS/Senate Bill 110, Florida Senate.

<http://www.flsenate.gov/Session/Bill/2015/0110/Analyses/2015s0110.ft.PDF>

<sup>9</sup> CS/CS/SB 110: Taxes, Florida

Senate. <http://www.flsenate.gov/Session/Bill/2015/0110>

<sup>10</sup> “Lawmakers tout \$160 in tax cuts for each state family,” Tampa Tribune, March 24, 2015.

<http://tbo.com/news/politics/lawmakers-tout-140-in-tax-cuts-for-each-state-family-20150324/?page=1>

<sup>11</sup> Press Release, “House Appropriations Committee Passes 2015-16 General Appropriations Act,” Florida House of Representatives.

<http://www.myfloridahouse.gov/Handlers/LeagisDocumentRetriever.ashx?Leaf=housecontent/HouseMajorityOffice/Lists/Press%20Releases/Attachments/27/3.25.2015%20Budget%20statement.pdf&Area=House>

<sup>12</sup> “FL Gov Rick Scott’s Inauguration Speech,” Tampa Bay Times, January 6, 2015.

<http://www.tampabay.com/news/politics/stateroundup/florida-gov-rick-scotts-inauguration-speech/2212612>

<sup>13</sup> SB 138: Tax-exempt Income, Florida Senate. <http://www.flsenate.gov/Session/Bill/2015/0138/?Tab=Analyses>