

## Legislature Advances Tax Breaks Despite Lack of Sufficient Revenue for Education, Healthcare, and Human Services

The Florida Legislature moved closer this week to enacting \$125 million in special-interest tax breaks even as it finalizes a state budget balanced only by deep funding cuts for state universities, hospitals, and nursing homes.

The Senate Finance and Tax Subcommittee approved House Bill 7087, already passed by the full House of Representatives, “to encourage economic development in Florida by reducing the tax burden on selected industries and activities.”<sup>1</sup>

The most costly tax break – reducing sales tax payments to the state and to local governments by \$56.4 million annually – results from broadening eligibility for an exemption for industrial machinery and equipment by businesses that are expanding.

Other tax cuts in the bill:

- \$29.4 million annually from increasing the corporate income tax exemption from \$25,000 of profits to \$50,000.
- \$12.3 million annually from expanding the sales tax exemption for repair and maintenance of aircraft. The current exemption is granted for aircraft weighing 15,000 pounds or more; the revised exemption lowers the aircraft weight requirement to 2,000 pounds.
- Sales tax exemptions on electricity used in packinghouses and on materials used in the manufacture of aircraft engines and gas turbine engines will cost the state and local governments \$2.7 million each year.
- State general revenue will be cut by \$3.8 million each year through the creation of enterprise zones in Charlotte and Citrus counties and modifying the number of employees businesses need to qualify for the Urban High-Crime Area Job Tax Credit.

The Senate and House also are expected to agree in a conference committee to create a three-day back-to-school sales tax holiday in August. A House-passed bill is estimated to cost the state \$25.9 million and

local governments \$5.9 million.<sup>2</sup> A similar Senate bill has been approved by the Budget Subcommittee on Finance and Tax.<sup>3</sup>

A reduction in the severance tax for “mature field recovery” oil also is expected to emerge from the budget conference committee. The House-passed version would reduce general revenue by about \$3.3 million each year.<sup>4</sup>

Awaiting action on the by the full Senate and House are committee-approved bills that would raise the limit on tax credits available to businesses that provide tuition to students in private schools under the Florida Tax Credit Scholarship Program.<sup>5</sup>

Apparently dead but still around in this session are bills that would enforce collection of the sales and use tax on purchases made over the Internet. Senate Bills 1514 and 2098 advanced in Senate committees, but received no hearing in the House.

In addition to business tax cuts, the legislature is considering new direct appropriations for sporting events in the name of economic development: \$1 million to the Central Florida Sports Commission “for securing the Major League Soccer combine and spring training” and another \$1 million for the “World Class International Regatta Sports Center” in Sarasota.<sup>6</sup>

Tax cuts and other giveaways reduce revenue available to meet critical state needs in public schools, colleges and universities, healthcare, and social services. Each dollar given away takes money away from those state responsibilities. They also add to the billions of dollars already lost through the hundreds of exemptions, exclusions, deductions, and credits in Florida’s tax laws.

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## Endnotes

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<sup>1</sup> Staff analysis, House Bill 7087. <http://www.flsenate.gov/PublishedContent/Committees/2010-2012/BFT/MeetingRecords/2-28-12epacket4.pdf>

<sup>2</sup> House Bill 737.

<sup>3</sup> CS/982.

<sup>4</sup> Staff analysis, CS/CS House Bill 87.

<http://www.myfloridahouse.gov/Sections/Documents/loaddoc.aspx?FileName=h0087c.FTC.DOCX&DocumentType=Analysis&BillNumber=0087&Session=2012>

<sup>5</sup> CS/CS Senate Bill 962.

<http://www.flsenate.gov/Session/Bill/2012/0962/Analyses/2bMwctetsUYrwi0LbYAgmjQzw8M=|11/Public/Bills/0900-0999/0962/Analysis/2012s0962.bft.PDF>

CS/CS/CS House Bill 859.

<http://www.myfloridahouse.gov/Sections/Documents/loaddoc.aspx?FileName=h0859e.EDC.DOCX&DocumentType=Analysis&BillNumber=0859&Session=2012>

<sup>6</sup> Conference Committee on Transportation & Economic Development Programs/Transportation, Tourism, and Economic Development Appropriations, Conforming Bills, February 28, 7:45 p.m., and House Offer #2, Budget Spreadsheet, March 1, 8:30 a.m.