

# **How Florida's Tax System Hurts the Middle Class**

**Unbalanced Tax Structure and Budget Cuts  
Hold Back Economic Recovery**

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[www.fcfep.org](http://www.fcfep.org)

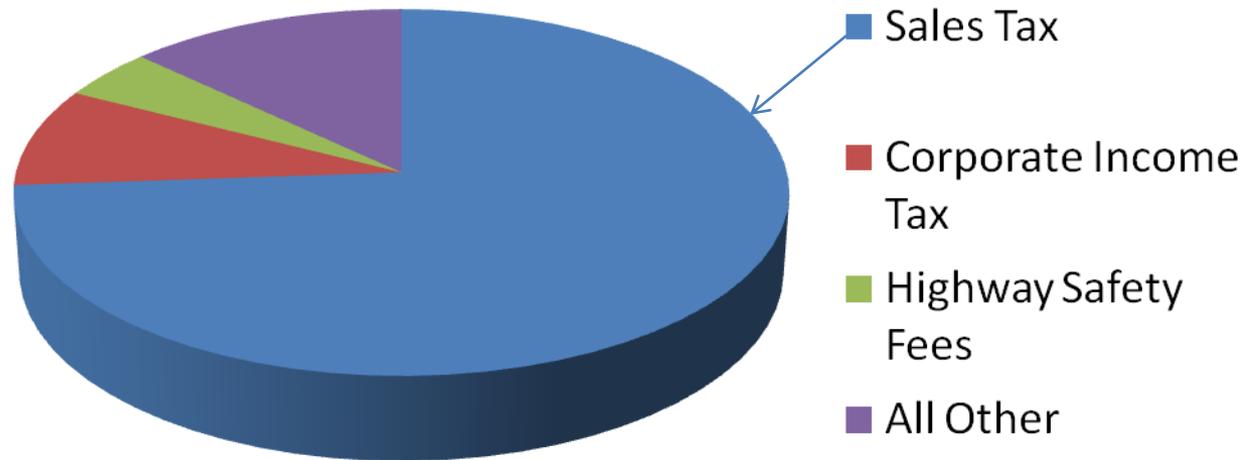
# What's Wrong With Florida's Tax Structure?

- **Not adequate**
- **Not fair**

# Florida General Revenue

**\$23.9 Billion**

**Sales Tax Produces 73%**



# General Revenue is Only One-Third of Florida's Total Budget

**\$23.9 Billion of \$69.2 Billion Total**

**GR gets all the attention because the legislature has substantial flexibility to appropriate those funds with very little restriction.**

# **Federal Funds in the Total Budget Exceed \$24 Billion**

**Remainder of funds appropriated by the legislature each year come from a variety of fees, most placed in trust funds to be spent for specific purposes.**

# Although Some Complain

**Taxes are the price we pay together  
to fund the necessary activities of  
government.**

- Education of more than 3.7 billion students PreK-Universities
- Health services for more than three million low-income children and adults in Medicaid
- Substance abuse and mental health services for more than 450,000 Floridians and services to people with disabilities
- Roads and highways
- Prisons, courts, juvenile justice, environmental protection, state parks

**What is the state's vision for the quality of life of its residents?**

**What is the government's role?**

**Who pays how much, and is the tax system fair and adequate?**

# Florida is a Low-Tax State

- **43<sup>rd</sup> in tax revenue per capita**
- **46<sup>th</sup> percent in revenue as a percentage of personal income**
- **When state and local taxes are combined, Florida still ranks at the bottom of the state in taxes per capita**
- **Furthermore, the state tax load as a % of personal income is lowest in 40 years**

**But low state taxation is **not**  
the experience of lower- and  
middle-income Floridians.**

**Because Florida has established  
an unbalanced and unfair tax  
system and keeps making it  
worse**

- **Reliance on sales tax**, the most regressive, so that a millionaire pays the same 60 cents on a \$10 purchase as does the single parent trying to make ends meet. Florida relies on the sales tax more than any other state.
- **One of 7 states without an income tax**, which is the most progressive tax because higher income people can be asked to pay a greater share of their earnings in taxes than middle- or low-income people.
- **Eliminated the only two taxes on wealth**—estate tax and intangibles tax—costing the state \$15 billion or more in the last decade and about \$2 billion each year.
- Sales tax and corporate income tax laws are filled with **costly exemptions, exclusions and credits** that haven't been subjected to serious review.

# Second-Worst Tax System in the Nation in Terms of **Fairness**

**Lowest 20%** of earners in Florida, with an average income of \$10,500 in annual earnings, **pay 13.5%** of that income in state and local taxes.

The **middle 20%** of earners, with an average income of \$37,400, **pay 9.0%** of their income in state and local taxes.

The **top 1%**, averaging \$2.4 million in income each year, **pay 2.1%** of it in state and local taxes in Florida.

(Source: "Who Pays?" Institute on Taxation and Economic Policy)

# In part because of the unbalanced tax structure and tax exemptions, revenues are **not adequate** to meet state needs.

- To balance the budget, the legislature keeps relying on budget cuts alone, with no consideration of a balanced approach that includes new revenue from tax modernization.
- In the 2011 session, to close an anticipated budget gap, the legislature came up with \$4.5 billion in savings: **5.6% from revenue growth** and **94.4% from reduced expenditures**.
- Once expenditures are reduced, the amount cut is seldom added back in during future years. For example, the legislature cut \$1.4 billion from prek-12 last session. Now they say they need only \$270 million from the cut level to pay for next year's critical and priority needs. The other \$1.2 billion or so is just gone—defined as critical or high priority one year, written out of the budget anyway, and then gone without a trace the next year.

# **Not the Level of Quality and Services Floridians Have Expected**

- **\$550 per student budget cut**
- **Low-quality PreK program, not the high-quality program approved by the voters in 2002**
- **Not enough child protective services staff**
- **Drastically reduced funding for universities and state colleges**
- **Lengthy waiting lists for a variety of services**

**Florida's tax structure has been created by hundreds of choices made by legislatures over decades.**

**New choices always are available.**

**So what are the choices we  
could make to make the tax  
structure more fair and  
adequate to meet the needs of a  
complex state?**

# Tax Modernization

- **246 sales tax exemptions, exclusions, etc., costing \$10.4 billion annually.**
- **Another \$20 billion of potential revenue in services that are excluded from taxation.**
- **\$1.3 billion in exemptions from corporate income tax. (Scott wants to eliminate)**
- **A total of \$32 billion or more annually could be on the table, not to mention other changes to tighten corporate income tax loopholes.**

# A \$5 Billion Plan

1. **Close loopholes in the Corporate Income Tax** **\$1.7 billion**  
(Attributing Florida income to other states; S corporations, etc.)
2. **Reinstate intangibles tax** (middle- and lower-income Floridians would not pay) **\$289 million**
3. **Remove some sales tax exemptions** **\$525 million**
4. **Tax some services** **\$2.5 billion**
5. **End questionable “economic development incentives” and payments to sports franchises** **\$35 million+**

# **Bottom Line: Florida's Tax Structure Hurts the Middle Class**

**It requires them to pay more because those with more income don't pay their fair share.**

**They feel the effects of inadequate funding for public schools, state and community colleges, health care, roads, etc.**

# **Tax Inadequacy and Lack of Fairness Hurt Florida's Economic Recovery**

**Tax structure doesn't sustain the level of services needed for a high quality of life**

**Lack of investment in education, which is the key to economic growth over time**

**Keeps money out of the hands of those who are most likely to spend it and thus create economic activity**