

FOR JANUARY 28, 2002

The second week of the 2002 Regular Session began with fireworks on the tax reform front and with a “consumer bill” aimed at driving up the premiums for Florida’s employers who provide health insurance.

TAX REFORM

Senators Jack Latvala (R-Palm Harbor) and Ken Pruitt (R-Port St. Lucie) announced today that, at the behest of Senate President John McKay (R-Bradenton), they would be forming and co-chairing a political action committee (PAC) to combat, “groups deliberately misleading this state.” They are, of course, referring to the blistering television ads that have been running statewide in opposition to Senate President McKay’s reform plan.

Senators Latvala and Pruitt take particular offense at the ads’ claim that a long list of services currently exempted will be subject to repeal. They point to CS/SB 1106 which specifically exempts the services named in the ads. However, technically, the ads are correct. If SJR/CS 938 is adopted as an amendment to the Florida Constitution, the Legislature will be free to reverse those exemptions found in CS/SB 1106 during the 2003 and 2004 sessions. A Legislature cannot bind a future-sitting Legislature. At best, CS/SB 1106 is a promise. And we all know how long promises last at the Capitol.

Secondly, in the press release announcing the formation of the PAC, Senator Pruitt asks rhetorically, “why shouldn’t Floridians be given the chance to decide the state’s tax structure since they contribute so heavily to the funding of services?” Well, first of all, the implementing bill, CS/SB 1106 is over 180 pages. Tax Reform of any kind is a complicated and demanding issue. That’s why we have a *representative* government, to contemplate, investigate and understand the nuances of complex issues the average citizen has little time or inclination to study. The Legislature is *paid* to make these kinds of decisions. Did Florida’s citizens understand that in approving the net fishing ban in 1998 that they would destroy entire towns and generations of fishermen along the panhandle coast of Florida? No. But when one supposes to execute statewide policy through a few unintelligible sentences squeezed into an electoral ballot, reckless and ill considered things like that happen. If this proposal makes it to the ballot in November, the whole proposal will be presented in one paragraph. This is how we are going to reform Florida’s tax structure?

The reform plan is a bait and switch. It is an attempt to raise the average Floridian’s taxes by tricking them into voting for it. That way, political leaders won’t have to take the political heat for raising taxes themselves.

Ironically, the State Tax Reform Task Force issued its final report to the Governor, Senate President and Speaker of the House today. The Task Force was established two years ago to study, review and provide recommendations to the Governor and Legislature on how best to actually reform Florida's tax structure. Obviously, the Senate President and others were not inclined to wait for this Task Force's final report. Even more weirdly, Senate President John McKay actually sits on this Task Force as a participant.

The Task Force recommends that any reform effort should abide by the following six principles:

1. Equity
2. Compliance
3. Pro-Competitiveness
4. Neutrality
5. Stability
6. Integration (between state, local and federal taxes)

The Task Force recommends that the alcoholic beverage "drink tax," intangibles tax, hospital "bed tax" assessment and a reduction of the commercial electricity tax from 7 to 6% should take place when appropriate.

The Task Force identified Florida's problem – and it's a problem, not a crisis as some claim – is on the spending side, and not the revenue side. By Constitutional amendment, the Task Force recommends that the state's spending should be capped and any increase in taxes should only be approved by a super-majority of 2/3 of the House and Senate.

The Task Force report states that while Florida's tax system can be made more stable, to make it truly stable would require that the state's sales taxes be made aggressively regressive ("regressive" meaning it punishes the lower incomes groups more than the higher income). This is accomplished by taxing necessities like groceries, medicine and other household goods and services. The Task Force does not recommend this, but points out in the report that, in the interest of fairness, Florida can only "go so far" in attempting to insure a totally predictable stream of tax revenue.

You can watch the video clips of the press conference in our media center at <http://aif.com>.

HEALTH CARE INSURANCE

The usual battle over the provision and cost of health insurance heated up in the Senate Banking & Insurance Committee today. At issue was SB 362 by Senator Burt Saunders (R-Naples). The bill is referred to as the, "prompt pay" bill because it deals with issues related to the prompt payment of insurance dollars to health care providers and consumers. But more accurately, it should be referred to as the, "prompt increase in employer premiums" bill because that's what it would do. While the committee did adopt a "strike everything" amendment (a "strike everything amendment" replaces an entire bill with new language) which did make significant improvements to the bill, it still needs work.

At principle issue, as always, is a provision providing for a "civil action" or lawsuit, for insurance companies' refusal to cover certain types of doctor ordered care. The trial attorneys have been working overtime for years to attempt to widen their access to HMOs through the courts. Every session they bash away with legislation in an attempt generate more litigation over the provision of care. The potential of course, is millions of dollars for trial attorneys and skyrocketing premiums for Florida's employers.

While the committee approved the bill by a vote of 10-1, it was made clear by members of the committee that the civil cause of action provision and other provisions were problematic and the bill would have to be “cleaned up” before it went to the Senate floor. Senator Saunders’ efforts to address AIF’s concerns and the concerns of others are appreciated.

Stay tuned to our daily brief and to our web site at www.fbnet.com as the legislature makes some very important decisions on the state’s economy. These decisions will have a major impact on the business community and AIF will be reporting to you everything that happens.

This report was prepared by Curt Leonard, Manager – Governmental Affairs at Associated Industries of Florida (AIF). Please send your comments or suggestions to us at aif@aif.com or call the Governmental Affairs department at (850)224-7173.

- For more information on all of the important legislative information concerning the business community, go to our “members only” Florida Business Network web site at <http://fbnet.com>
- Send us your E-mail address and we will begin to send this report to you automatically via E-mail.