

FOR FEBRUARY 5, 2002

UNEMPLOYMENT COMPENSATION BENEFITS EXPANSION

The Senate Commerce and Economic Opportunities Committee passed SB 1220 by Senator Debbie Wasserman-Schultz (D-Pembroke Pines) by a vote of 10 – 0.

The bill purports to be an economic recovery bill in the wake of the September 11 attacks on the U. S., as expressed in its introductory intent language. The bill provides for an “alternative base period” whenever an individual is not monetarily eligible in a “base period” under current law to receive unemployment compensation benefits. The bill specifies, for 2.5 years, alternative time periods and amounts of payments of unemployment compensation, an increase in weekly benefit amounts for unemployment compensation purposes. The increase in the weekly wage benefit amount is \$25 or 15%, whichever is greater. The estimated fiscal impact of this wage increase would be over \$100 million. The bill was amended to remove a provision that provided for an “acceleration” of the benefit payments, which had a \$57 million price tag.

While well intended, an expansion of the current unemployment benefits would be a mistake. Given the current economic conditions in Florida, the Unemployment Compensation Trust Fund is under stress, and any further monetary demands on the fund could trigger a rate increase. Section 443.131(3)(e)1.c., F.S., provides that when the balance of the Unemployment Compensation Trust Fund is less than four percent of the state’s taxable payrolls, a positive adjustment factor will be computed and included in the variable adjustment factor used in computing the tax rates for all experience-rated employer accounts. The adjustment remains in effect for every year that the fund balance is below four percent. The effect of this adjustment is to raise the tax rates for all rated employers who are below the maximum rate until such year as the fund balance is again equal to or greater than four percent of the state’s taxable payrolls.

A further increase in the Unemployment Compensation tax rate could have the perverse effect of causing employers to further cut back on their number of employees. 96% of Florida’s employers have 10 or fewer employees, according to our most recent statistics. Other means must be identified to assist the unemployed than further lifting funds out of an already depleted Unemployment Compensation Trust Fund, if that need is identified by the Legislature.

TAX REFORM

The House Republican Task Force on Tax Reform took testimony today on the 1987 Services Tax. The Committee’s interest in this 1987 tax, which ultimately suffered repeal, was due to the startling similarities between the 1987 tax plan and Senate President John McKay’s tax reform plan.

As part of the Committee’s hearing today, AIF’s Randy Miller, Senior Executive Vice President of the Association testified regarding his experience as the Executive Director of the Department of Revenue during 1987. Upon passage of the services tax, it was Mr. Miller’s charge to implement the tax, to develop the rules that would govern the actual collection of the tax revenue.

Some highlights of Mr. Miller’s testimony include:

- Implementation of Mr. McKay’s tax plan would require the estimated establishment of over 150,000 new “dealers,” or businesses that would be required to collect and remit the sales tax to the state, with all the necessary paperwork, reporting and data collection.
- In 1987 the State had to hire 196 new auditors to audit and insure collection of the tax and Florida would face a similar hiring spree with McKay’s plan.
- The DOR spent hundreds of hours developing apportionment formulas that insured that even if Florida companies went “outside Florida” to avail themselves of a service to ostensibly avoid the tax, such as legal or accounting services, the service would still be captured and taxed.
- The implementation of the tax on a variety of services is a complex and demanding exercise. Cobbling together dozens of exemptions and repealing them, as was done by the Senate in CS/CS/SB 1106, is a very poor approach to tax reform.
- The Constitution is not the place to house tax reform. Sales tax exemptions are a creature of the statutes and should be subject to repeal or enactment by the Legislative and Executive branches, as is their rightful prerogative. The Florida Constitution currently prohibits a personal income tax and a statewide ad valorem tax on property. These two prohibitions in the Constitution are what arguably hamstringing any tax reform efforts already. Why further restrict future legislatures by loading up the Constitution with more tax restrictions?
- McKay’s plan does not address the “spending side” of Florida’s revenue picture. Any reasonable reforms of Florida’s tax structure have to address Florida’s spending habits and priorities.

The Committee thanked Mr. Miller for his insights; which are unique given his role in implementing the tax 15 years ago.

CS/SJR 938 & CS/CS/SB 1106 comprise a tax reform package that is poorly crafted and driven by the very politics its originators ostensibly wanted to avoid.

AIF supports and is willing to debate the business community’s sales tax exemptions enjoyed under current law. AIF believes our employer’s exemptions have merit and that they can be defended on any reasonable standard. We support an orderly, methodical review of all of Florida’s sales tax exemptions. We do not support a review demanded by an amendment to the Florida Constitution with a clock ticking ever louder demanding that the Legislature scramble to find billions of dollars in sales taxes. The indiscriminate inclusion of a whole host of exemptions in the implementing bill (CS/CS SB 1106), selected by a few staffers in the Senate to push back political opposition is the very scenario AIF predicted would occur.

The Florida Constitution is not the appropriate vehicle for tax reform. The Legislature has already lost latitude with the Constitutional prohibitions against a personal income tax and an ad valorem property tax. In addition, by placing the Legislature on a timeline with a dictated amount of additional tax dollars to be found (\$4.2 billion) any objective, honest debate with regards to the merits of any given exemption are indelibly compromised. Taxation is and should be the prerogative of the Executive Branch and the Legislature.

Stay tuned to our daily brief and to our web site at www.fbnnet.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://fbnnet.com>
- Send us your E-mail address and we will begin to send this report to you automatically via E-mail.