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Testimony Before The Florida Taxation & Budget Reform Commission September 2007

The League of Women Voters was formed in 1920 as a non-partisan organization that takes positions on a variety of issues affecting the general public.

The League of Women Voters takes positions only after careful study and after obtaining informed consensus from our varied membership.

The LWV of Florida has studied Florida's tax system for over fifty years.

LWVF Position

The bedrock principle adopted by the LWVF as a result of this study is that our state fiscal structure should be both equitable in its distribution of the tax responsibility and responsive to public needs.

Specifically, we believe that Florida's tax system should be:

1. Equitable and based on ability to pay;
2. Provide adequate revenue to meet our needs;
3. Adaptable to fluctuating economic conditions;
4. Efficiently administered to ensure compliance; and
5. Consistent with economic, environmental, social and other public policy goals.

Problems with Florida's present tax structure

In general, the LWVF believes that Florida's present tax structure should be reformed so that a greater proportion of taxes are levied based on the ability to pay.

We also believe that Florida's tax revenues are not keeping pace with our needs, resulting in an infrastructure deficit, and a decline in state service levels and the quality of life.

More particularly, the LWVF has identified the following specific problems with Florida's tax structure that we urge this Commission to address:

1. Florida's sales tax is riddled with exemptions, so that the total amount of taxes that are exempted are now higher than the amount collected.
2. Florida's current state tax structure is far too reliant on sales as a revenue source, rendering our fiscal resources extremely vulnerable to downturns in our economy.
3. Florida's corporate income tax law needs to be tightened to prevent large corporations doing substantial business in Florida from escaping income tax liability through loopholes such as shifting profits to lower tax states or countries.

Proposed remedies

To remedy these problems, we urge this Commission to recommend the following changes in our tax structure:

1. Review all current exemptions in the state sales tax to determine their economic and policy justification, and retain only those that follow sound principles of equity and taxation.
2. Enact a state personal income tax to help insulate Florida's revenue sources from downturns in the state's economy.
3. Close the loopholes in the corporate income tax that allows corporations that do substantial business in Florida to escape taxation.

Property taxes

Finally, we would be remiss if we did not address the issue of property taxes, which are the primary source of revenue for our local governments, and have been the subject of much recent political attention.

The Legislature has enacted property tax legislation and placed measures on the January 29, 2008 ballot for voter approval. A lawsuit has since been filed attacking both the legislation and the ballot measures. At this time, we do not know the outcome of either the lawsuit or the vote. However, this Commission has the power to place measures before voters directly. The LWVF would therefore like to take this opportunity to make recommendations to the Commission regarding property taxes.

Property taxes should be based on the ability to pay

The LWVF believes that, as with other taxes, the amount of a citizen's property taxes should be based on ability to pay. The League therefore opposes across-the-board homestead exemptions that are not based on income. We recommend tax relief in the form a circuit breaker, which, like the device that automatically interrupts the flow of an electric current when the current becomes excessive, provides tax relief for households when taxes on housing exceed a certain percentage of income.

Local governments should have the ability to tax to meet local needs

The LWVF believes that local governments should have available a variety of options for generating revenues to meet local needs. While assertions have been made regarding over-spending by county and municipal governments, sufficient data have not been gathered to accurately estimate the impact on localities of the state's burgeoning population and the cost of new mandates imposed by state legislation. We believe that local governments are in the best position to evaluate the amount of funding they need to provide the many important services on which we all rely.