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Florida: Budget negotiations for fiscal year 2016-17 begin

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At the end of January, the Florida House of Representatives released its **budget proposal**, as did the **Senate**. In comparing the two, the media outlet **FloridaPolitics.com** pointed out that both the House's $79.9 billion version, and the Senate's $80.9 billion version, surpassed the $79.3 billion plan that Governor Rick Scott released last November with **Florida First For Jobs** (Florida First).

One key difference between the House and Senate versions is the fact that the House version contains no money for incentive programs, while the Senate's plan does. In a reflection of the competing interests at stake, FloridaPolitics quoted the president and CEO of the Florida Housing Coalition for:

"thank[ing] the Senate for continuing to be a stalwart for affordable housing and recommending that all housing trust fund monies go toward housing in their budget proposal… Affordable housing is not only important to those who benefit from it, but also carries a large economic impact, as the full appropriation of affordable housing monies for housing will produce tens of thousands of jobs in Florida and billions of dollars in positive economic impact for the State of Florida."

On the other hand, the Florida director for Americans for Prosperity applauded the House budget for "the fact that there is no funding allocated for the film tax credit, sports incentives, or the Governor's supposed job creation plan[, which] should show taxpayers that the House is serious about presenting a budget that reflects the real needs of our state."

Also at the end of January, the House introduced its **tax proposal**. The **Tax Foundation** lost no time in criticizing it as being "worse than the mediocre plan released by Governor Rick Scott in November," explaining that "[t]he House plan includes several of the positive aspects of Governor Scott's plan, but expands on the silly idea of sales tax holidays." The Tax Foundation takes the position that sales tax holidays in general are useless, because they cause consumers to buy products they would otherwise buy, but at different times. Thus, they do not create economic growth, but do saddle small businesses with compliance costs and burdensome paperwork.

In November when Governor Scott commenced his state-wide tour to reinvigorate his two-year, $1 billion tax cut plan, we **mentioned** his intention to help families save $72.8 million by implementing two sales tax holidays. The first is a 10-day period for back-to-school purchases, and the other is a nine-day sales tax holiday for hurricane preparedness items. Likewise, the House's tax proposal includes a back-to-school holiday in August, but replaces the hurricane preparedness program with three new tax holidays that would create $116 million in tax savings for consumers:

1. On the Saturday after Thanksgiving, items purchased for $1,000 or less at small businesses would be exempt from the sales tax;
2. On August 20, 2016, tax free fishing and hunting equipment purchases; and
3. On April 22, 2017, tax free purchases of personal computers, cell phones, and computer-related accessories.

In addition, the House plan, like Governor Scott's, would maintain the current sales tax exemption for college textbooks, which would reduce revenues by $33 million.

The Tax Foundation described two different tax exemption programs as the bright spots in the House plan:

- Business inputs, commercial leases and business machinery, which it says should not be subject to taxation to protect against tax pyramiding. Governor Scott has a similar provision in his proposal; and
- A reduction in the sales tax on leases, from 6 percent to 5 percent for the first year, and then to 4 percent the following year. Unlike Governor Scott's plan, the House proposes a reversion to 6 percent beginning in 2019.

The Tax Foundation approves of these because it prefers to see broad-based cuts to the corporate tax rate, rather than "silly gimmicks that add needless complexity to a tax code."

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