

The Facts About Florida Taxes: Already Among the Lowest in the Nation

The current emphasis in Tallahassee on cutting state taxes obscures important facts about Florida's state tax system and about choices available to balance the budget and meet the needs of Floridians.

When Governor Rick Scott unveils his first budget proposal Monday, it is expected to include a reduction in the corporate income tax rate and perhaps other cuts in state taxes. These cuts would further reduce revenue even though state government is already several billion dollars short of having enough money to fulfill its basic responsibilities.

Even now, before any further reduction in revenue from new tax cuts, legislative leaders say they can balance the state budget only with big cuts in education, health care, and the prison system. Those leaders have said they will not consider a balanced approach to fixing the budget gap – one that would raise some new revenues by closing tax loopholes.

Understanding the current level of taxation in Florida is important to the debate about tax cuts and the revenue needed to fund vital public services. Also obscured so far in the discussion about taxes is fairness: who pays and how much they pay. Florida's tax system is set up to require individuals and corporations to share the cost of public services, ideally in a fair way. Business groups and some elected officials maintain that state taxes – particularly the amount paid by corporations – are an obstacle to economic growth and the creation of new jobs.

Florida's low level of state taxation and regressive tax changes endanger the ability of the state to pay for vital public services and shift the tax load to those already paying more than their fair share.

In fact, state taxes in Florida are low compared to other states and the amount paid by corporations as a percentage of total state income is shrinking.¹ As a consequence, state taxes are sufficient to provide only a low level of the public services necessary to support a decent quality of life.² These services – education, health care, highways, law enforcement, courts, prisons, and many others – are provided because state government has responsibilities to do so under the Florida Constitution and laws.³

In addition, the decline in the corporate income tax as a share of Florida total income, combined with the elimination of taxes paid primarily by affluent Floridians, has resulted in moderate-income and poorer residents paying a larger share of the costs of state services.

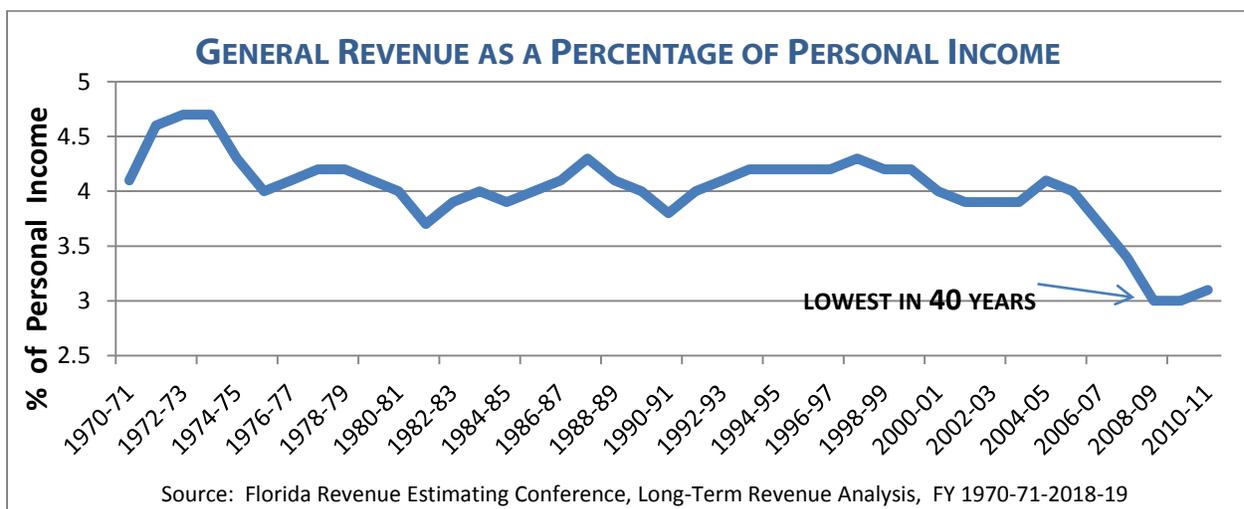
The following facts about Florida state taxes should be understood during the debate about business tax cuts:

1. Florida is a low-tax state. Florida’s state taxes are already among the lowest in the nation. This fact is widely acknowledged, including by professional staff of the legislature. “Florida is not a high-tax state,” the staff of the House Finance and Tax Committee told committee members January 13.⁴ They cited rankings (shown in the chart below) from the nonpartisan Federation of Tax Administrators showing Florida’s state tax revenue 43rd among the states per capita and 46th as a percentage of personal income.^{5,6} State plus local tax revenue in Florida ranked 27th per capita and 37th as a percentage of personal income.

Using a different method of calculating a state’s tax load to account for state and local taxes paid by tourists, the Tax Foundation reports that state and local taxes paid by Florida residents rank even lower. By that calculation, Florida’s state and local tax load per person has ranged between 44th and 48th in the nation every year since 1977.⁷

The conclusion: Florida government, both now and in the past, collects a smaller share of residents’ income than most states.

2. Furthermore, the state tax load has declined in recent years. State taxes constitute a lower share of Floridians’ personal income than at any time in the last 40 years. The already-low state tax load, remarkably steady for four decades, dropped in the last dozen years as measured against the earnings of Floridians. The chart below shows that general revenue collections as a percentage of Florida income dropped in 2008-09 to the lowest level since 1970-71, when the state began recording the data.⁸



3. Some who advocate tax cuts maintain that the level of taxation has grown more than total income in Florida. However, **growth in state revenue has dropped well below income growth.** Historically, tax revenues grew at a pace consistent with the growth of Florida’s economy for decades – until the recession. Now state revenue growth trails income growth and is expected to do so at least through 2014, the House Finance and Tax Committee reports.⁹

4. Through the elimination of taxes on accumulated wealth in the past decade, more than \$12 billion in taxes that would have been paid by those who can afford to pay has not been collected. The loss of intangibles and estate tax revenues – paid almost entirely by the wealthy – now costs the Florida treasury \$2 billion or more every year. These uncollected revenues could have been put to work meeting vital state needs. Instead, other Floridians have been asked to share more of the load: Even in a “no new taxes” environment, taxes and fees paid disproportionately by less affluent Floridians were increased by \$2 billion annually in 2009.¹⁰

5. The elimination of taxes on wealth, along with other regressive choices made in building Florida’s revenue structure, make Florida’s tax system the second-worst in the nation in terms of fairness.¹¹ The result: Florida is not a low-tax state for low- and moderate-income residents. State taxes take a larger bite of their income than of the more affluent.

6. Despite a budget gap that exceeds \$4 billion, Florida’s leaders have not seriously considered closing tax loopholes that cost the state billions of dollars each year. If revenue from closing loopholes was paid to the state treasury, the state could avoid much of the damage from additional budget cuts that will affect public schools, colleges and universities, health care for children and the poor, aid to those with disabilities, and mental health and drug addiction treatment.

Conclusion

Florida’s low level of state taxation and regressive tax changes endanger the ability of the state to pay for vital public services and shift the tax load to those already paying more than their fair share.

Closing tax loopholes to raise revenues to meet state needs is an alternative choice to the path of tax and spending cuts being taken by political leaders this year. Reforming Florida’s tax structure would minimize cuts in services and make the tax system more fair.

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Endnotes

- ¹ House Finance and tax Committee presentation on the Florida Corporate Income Tax, July 27, 2011. http://www.myfloridahouse.gov/sections/Documents/loaddoc.aspx?PublicationType=Committees&CommitteeId=2592&Session=2011&DocumentType=Meeting%20Packets&FileName=FT_Mtg_1-27-11_Online.pdf
- ² Troubling Trends Threaten Florida's Well-Being, FCFEP, July 2009. http://www.fcfe.org/attachments/022_FINAL%20WELL-BEING%20REPORT.pdf
- ³ Paying More for Less: More Cuts Will Hurt Floridians Who Rely on State Services While Florida's Tax System Remains Unfair and Unbalanced, FCFEP, January 2011. <http://www.fcfe.org/attachments/20110104--Paying%20More%20for%20Less.pdf>
- ⁴ House Finance and Tax Committee presentation on Florida State Tax Structure, January 13, 2011. http://www.myfloridahouse.gov/Sections/Documents/loaddoc.aspx?PublicationType=Committees&CommitteeId=2592&Session=2011&DocumentType=Meeting%20Packets&FileName=FT_Mtg_1-13-11_Online.pdf
- ⁵ Ibid., Page 19.
- ⁶ 2009 State Tax Revenue, Federation of Tax Administrators. <http://www.taxadmin.org/Fta/rate/09taxbur.html>. State tax revenue used in these calculations is the total received from all taxes levied by the state, including corporate income taxes.
- ⁷ Tax Foundation, State and Local Tax Burdens: All States, One Year, 1977-2008. <http://www.taxfoundation.org/taxdata/show/336.html>. The Tax Foundation methodology attempts to calculate the share of state revenue paid by out-of-state taxpayers, such as tourists and residents of other states who live in Florida part-time. As one of the nation's leading tourist destinations, Florida collects a significant portion of state and local taxes from non-Floridians, so the tax load borne by state residents is even lower in Florida compared to other states.
- ⁸ Florida Revenue Estimating Conference, Long-Term Revenue Analysis FY 1970-71 Through FY 2018-19 Volume 25, Fall 2009. <http://edr.state.fl.us/Content/conferences/longtermrevenue/2009longtermrevenueanalysis.pdf>
- ⁹ House Finance and Tax Committee presentation on state taxes, Page 18.
- ¹⁰ Unbalancing Florida's Tax System: Eliminating Taxes on Wealth Has Shifted the Burden to Other Floridians, Florida Center for Fiscal and Economic Policy, November 2010. <http://www.fcfe.org/attachments/20101108--Eliminating%20Taxes%20on%20Wealth.pdf>
- ¹¹ "Who Pays? A Distributional Analysis of the Tax Systems in All 50 States, Third Edition," Institute on Taxation and Economic Policy, November 2009. <http://www.itepnet.org/whopays3.pdf>