



STATE SENATOR NAN RICH
LEGISLATIVE UPDATE
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**CLOSING TAX LOOPHOLES FOR BIG BUSINESS WOULD AVOID
PAINFUL BUDGET CUTS AND BRING FAIRNESS TO FLORIDA'S TAX LAWS**

For the past few years, we have watched as multi-billion dollar budget deficits have prompted the legislature to make draconian and sometimes cruel cuts in essential services from our state budget. The Republican leadership has talked about how tough choices had to be made, but really, for them the only choice to be made was whether to shortchange our children's education or sacrifice public safety by laying off thousands of teachers, police officers and firefighters, to ask our elderly and our children to wait for care, to slow our judicial system to a crawl, or to make a college education less affordable for our young people, to name a few.

It was and is a false choice. But unfortunately, the majority party that has run this state for the last 14 years has been all too willing to sacrifice all of these things for billions of dollars in tax cuts. These tax cuts have mainly benefitted large corporations that already pay little or no taxes in our state because of tax loopholes and creative accounting.

They claim that these tax cuts will stimulate our economy, and create jobs. But that obviously hasn't worked. Florida's unemployment rate grew larger than the national average, and has been slower in recovering than in most states.

So perhaps it's time to try something different. That's why I've proposed legislation this Session that will close two huge tax loopholes. Along with my Democratic colleagues who have proposed closing other tax loopholes, we believe this approach will make our tax structure fairer and will enable us to provide the essential services that create an environment for economic growth.

First, we must adopt the Streamline Sales Tax Initiative, which would close the sales tax loophole for companies that do online business in Florida. By joining 24 other states that have agreed to establish uniform rules of collecting sales tax, Florida would receive \$1.45 billion in revenue. Essentially, out-of-state businesses that make sales to Floridians don't collect sales

tax if they don't have a physical presence in our state. This puts our local small businesses – who must collect sales tax – at a competitive disadvantage with big out-of-state companies.

Second, I have sponsored SB 1590, which would close two common loopholes that enable big corporations who make money in our state from paying any taxes whatsoever. First, by requiring what's called "combined reporting," Florida could see an estimated \$473.4 million dollars in additional revenue. Currently, multistate businesses are able to escape their tax obligations in Florida by transferring profits to parent companies in states like Delaware that don't have a corporate income tax. Combined reporting requires multistate companies to determine their profits in each state, and to pay the appropriate corporate income tax. As of November 2010, twenty-three states have adopted combined reporting. The types of businesses we're talking about would continue to make profits in our state, but they'd be paying their fair share for the services and infrastructure that contribute to their success, just as local businesses do.

In addition, SB 1590 would adopt what's called the "throwback rule." The throwback rule says that if corporations with facilities in Florida have income that is not taxed by any other state, then that income is "thrown back" and taxed here. Twenty-five states already have this rule on the books, and if Florida enacted it, we would see an estimated \$48.3 million dollars in additional revenue.

In a time when cuts to our budget could reach the point of stalling economic growth, it would be unconscionable to ignore proposals like these.

Nobody in this state or in this country – whether it's the smallest mom-and-pop business or the biggest global corporation – can say their success was all their own.

Businesses are able to grow because they can hire workers educated in public schools and universities; because they can ship their products over highways, by rail and through ports; because they can rely on fire and police services to keep their property safe; because they have courts to resolve disputes in a civilized manner and to ensure those who threaten the peace are brought to justice.

None of these things are free. They are paid for by you and me, and every person who lives here. For too long, the corporations that benefit from our state have not paid their fair share. And for too long, ordinary people have been asked to bear too much of the burden. It's time to bring a fairer balance to our tax structure.



As always, I appreciate the opportunity to serve as your State Senator. If you have any comments or questions on any issue related to Florida government, please feel free to contact my office at (954) 747-7933 or email at rich.nan.web@flsenate.gov.