

January 18, 2002

Jeb Bush
Governor
The Capitol, PL5
Tallahassee, FL 32399

Tom Feeney
Speaker of the House
The Capitol, Room 420 C
Tallahassee, FL 32399

John McKay
Senate President
The Capitol, Room 409 C
Tallahassee, FL 32399

Dear Governor Bush, Speaker Feeney, and President McKay:

As business leaders from across Florida, The Florida Council of 100 is keenly aware of the impact the state's tax structure has on business success and on the lives of all Floridians. We also know that our state faces a monumental task in providing essential services to its citizens during turndowns in the economy. We applaud all of you for making the tough decisions last fall to stimulate the economy and eliminate the 2001-2002 budget deficit. We know that you have an equally difficult task ahead as you begin deliberating on the 2002-2003 budget.

However, we are now particularly concerned with the tax reform proposal to place a constitutional amendment on the November ballot to reduce the sales tax by eliminating many of the exemptions that now exist. We see three problems with this approach:

First, we believe it is inherently wrong to accomplish tax reform through the constitution. The citizens of Florida elected you to do the analysis and make the decisions on tough topics, and this is one of those issues. Attempting to force complex changes to the sales tax through the constitution is just not the way to proceed.

Second, we don't believe that the amount of a sales tax reduction can be determined without first determining where the offsets will come from. Some researchers indicate that a sales tax reduction from 6 to 4.5 percent would require elimination of as much as \$9B in sales tax exemptions. Is that really feasible? Don't we need the answer before proceeding with a reduction?

Third, we don't believe that this is the time to implement major changes in the tax code. We are reminded that we are still in the midst of an economic recession and that the events of September 11 continue to have a major impact on the economic conditions of our state. These factors cause considerable uncertainty in business and in families – a new tax plan will only exacerbate the concerns we all face day in and out.

Let us be clear - - we are not opposed to a comprehensive, broad-based review of Florida's entire tax infrastructure. In fact, we agree with many Floridians who believe that Florida's tax structure is in need of review. To that end, we congratulate Senate President McKay for his boldness in coming forward and asserting that it is time for Florida to revise its 1949-era tax code.

While we support President McKay's and other's desires to review Florida's tax structure based on 21st century conditions, we in the Council of 100 believe that any overhaul of the sales tax statute, with all the additional uncertainty and confusion it would bring forth, should be carefully and deliberately studied before legislative consideration. Such an intensive study of *all* the issues will take time, and certainly should not be attempted during this legislative session with all of its challenges of budget reductions, redistricting, and cabinet restructuring, in addition to normal activities. Additionally, throughout Florida, families and businesses are fighting for economic recovery and are concerned about international terrorism. We urge you to not put Floridians into sales tax fights while everyone is struggling to return to normalcy.

Some tax experts argue that the sales tax reduction and exemption elimination may be the most dramatic and far-reaching tax proposal, not just for the state of Florida but for every state in the country, for the past 50 years. We agree, and believe, that a substantive and careful review must answer all questions such a proposal raises, including:

- ? Will jobs be lost in Florida as a result of the revision?
- ? Will the plan really be revenue neutral to the people and businesses of Florida?
- ? Will this result in additional costs to Florida government?
- ? How will consumers and workers be affected?
- ? Will this plan result in more tax pyramiding—the levying of taxes upon taxes?
- ? Will the Florida businesses affected by the change become non-competitive with competitors residing out-of-state?

In closing, the Council of 100 recommends to Governor Bush, President McKay, and Speaker Feeney to establish a Tax Commission, with leading political, civic and business leaders, and ordinary citizens, to address this issue in-depth over a 12-month period. The Tax Commission should hold public hearings around the state and report back to the Governor and Legislature prior to the 2003 legislative session with specific recommendations on how to reform Florida's tax structure. We believe this in-depth review as a first step is the only appropriate approach to this critical and serious issue that impacts all Floridians. We stand ready to assist you in this effort.

Sincerely,

Alfred Hoffman, Jr.
Chairman
(CEO, WCI Communities)

Chris Sullivan
Vice Chairman & Economic Recovery Task Force Chair
(Chairman & CEO, Outback Steakhouse)

Cc: All Senators and Representatives