

Date: Mar 18, 2010; Section: Metro & State; Page: 6B

THE BUDGET

Lawmakers propose some tax, fee cuts

Legislators are offering up tax breaks and fee cuts despite a multibillion-dollar budget shortfall.

BY LEE LOGAN AND MARY ELLEN KLAS

Herald/Times Tallahassee Bureau

TALLAHASSEE — After raising \$2.2 billion in new taxes and fees last year, Florida legislators want to erase that memory this election year with proposals that roll back auto registration fees and steer as much as \$100 million to businesses in new tax incentives.

The problem: how to pay for it. The House plans to budget about \$88 million in tax incentives, the Senate plan includes \$135 million in tax cuts, and both chambers plan to push a \$44 million sales tax holiday for back-to-school supplies. All of it must come out of a budget that already has a shortfall of \$3.2 billion.

Critics of the tax and fee cuts say competition already is fierce among programs that have been slashed in recent years. Republican legislators argue that tax breaks will spur economic development and that many of the tax incentives would not take effect until future budget years.

“I would argue that we should be putting in as much as we can because, at a time of economic downturn, we need to be investing in more economic development than even in good times when you have the money,” said Rep. Will Weatherford, R-Wesley Chapel.

AUTO TAGS, LICENSES

Of the higher taxes and fees passed last year, \$797 million came from fee increases for new and renewed auto tags and driver's licenses. Now, Senate President Jeff Atwater wants to reassess some of those fees to determine if the increases were too high.

Among the proposals is a \$6 roll back of the vehicle registration fee which last year rose from \$36 to \$57 for mid-size cars. The fee review is “a high priority for us,” Atwater said this week.

Sen. Jeremy Ring, D-Margate, isn't surprised that at the second-guessing of the fee hikes. “It's a contradiction but it's an election year,” he said. “And I think they're responding to a backlash against some of the increases that were too draconian.”

Sen. Don Gaetz, R-Niceville, has proposed a tax credit package that would cost \$74 million next year and \$100 million the following year.

He and other Republicans say enacting the tax incentives will mean cuts to next year's budget, though Gaetz said specific cuts have not yet been identified. But he added that because the tax credits would be awarded only after a new job has been created, the money is like “seed corn” that will pay dividends in future years.

Even though the focus is on long-term job creation, Gaetz said there are immediate benefits to some incentives, such as a \$1,000 tax credit for businesses that hire workers laid off last year. Many of the rehired workers would be taken off the state's Medicaid rolls, which have swelled during the recession, he said.

10 BILLS OK'D

Over in the House, the Economic Development Policy Committee on Wednesday approved 10 bills that would create tax incentives for everything from manufacturers of gas turbines for airplanes to training for workers who lose jobs because of the dismantling of Florida's space program.

Rep. Ellyn Bogdanoff, who leads the House Finance and Tax Council, said House and Senate leaders have broad agreement on tax incentives to help the manufacturing, space, ports and the film industries:

- * \$100 million in incentives to upgrade Florida's 14 ports in preparation for the widening of the Panama Canal in 2015. The incentives would cost \$10 million per year, starting in the 2011-12 budget year.

- * \$67 million in sales tax breaks for certain manufacturing equipment.

- * Up to \$20 million annually in tax credits to movie and television productions, starting in 2011.

- * About \$25 million in funding to encourage new space-related businesses to retain thousands of jobs in Florida's space industry after manned shuttle flights stop.

Bogdanoff emphasized that the proposals are not giveaways but jobs generators because, "the focus is on long-term job growth."

But some lawmakers warn there is no guarantee the programs will generate jobs. Last year, lawmakers passed \$10 million in lowinterest loans to small companies under an "economic gardening" program and Florida's unemployment ranks continued to swell.

"State governments just do not have the tools to move employment rates in a giant way," said Rep. Keith Fitzgerald, a Sarasota Democrat and political science professor at New College. He sponsored the back-to-school sales tax holiday bill because he believes it has been proven to spark spending and increase revenue. But he questions whether legislative leaders are effectively evaluating whether the proposals will produce jobs.

The debate comes despite hand-wringing by lawmakers over budget cuts throughout the state budget. Sen. Nan Rich, D-Weston, said she supports economic development but "you need to find a way to pay for it." She worries the money will eventually come from the healthcare budget.

Staff writers Marc Caputo and Steve Bousquet contributed to this report. Lee Logan can be reached at llogan@MiamiHerald.com.