



Economic Impacts of Possible Tax Policy Changes

Analysis of CP021

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CP021 (2/18/2008)

- Brief Description

- Provides reduction in property taxes through
 - A \$25,000 exemption for tangible personal property
 - Exemption for non-homestead improved residential property based on a percentage of just value over \$50,000
 - Limits annual increases in non-homestead property to 5% per year
- Mandates temporary increase in sales and use taxes dedicated to School Districts to offset projected loss of property tax revenues resulting from this amendment.

Direct Fiscal Impacts of CP021, Million \$

Property Tax Revenue Impacts by Government Type				
	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
Counties	(239)	(1,195)	(1,314)	(1,407)
Schools	(1,028)	(2,298)	(2,576)	(2,831)
Cities	(101)	(451)	(498)	(536)
Special Districts	(71)	(300)	(330)	(353)
Total Impact	(1,438)	(4,243)	(4,718)	(5,127)
Sales Tax Revenue Impacts				
Tax at 1%	3,773	4,035	4,285	0
Net Tax Change vs. Current Law				
Sales – Property Tax =	2,335	(209)	(433)	(5,127)
Note: Impacts in each year reflect changes in that year's tax base compared to what it would have been under the current law.				

Staff Analysis, 2-22-2008

CP021 Simulation Parameters

- Property tax relief under this proposal is funded over the first three years through additional 1 percent levy in sales tax (current taxable items)
- Additional sales tax receipts fund 2/3 of the tax relief provided in year four (FY2012-13)
- Projected tax savings to homestead property adjusted to reflect foreign ownership (10%) and federal income tax consequences (average marginal rate 20%)
- Local governments and school districts reduce expenditures in FY2012-13 and later by the projected net loss in revenues.

The Direct Effects of CP021

Expansionary Economic Impacts	Contractionary Economic Impacts
Reduction in owner occupied residential property taxes – increasing after-tax personal income	Increase in sales taxes raising prices mainly to consumers but also to businesses – reducing after-tax personal income and increasing production costs
Reduction in non-homestead residential and non-residential property taxes – increasing return to capital	Reduction in local government and school district expenditures unless offset by non-property funding sources

The Expansionary vs. Contractionary Impacts of CP021

	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
Tax relief to owner occupied residential property	756	2,230	2,480	2,695	2,928
Tax relief to other owners of improved property	<u>388</u>	<u>1,146</u>	<u>1,274</u>	<u>1,384</u>	<u>1,504</u>
Direct Expansionary Stimulus	<u>1,144</u>	<u>3,376</u>	<u>3,753</u>	<u>4,079</u>	<u>4,433</u>
Sales Tax Increase	3,773	4,035	4,285	0	0
Reduction in Local Govt and School Dist. Budgets	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,433</u>	<u>5,572</u>
Direct Contractionary Stimulus	<u>3,773</u>	<u>4,035</u>	<u>4,285</u>	<u>3,433</u>	<u>5,572</u>
Net Economic Stimulus	<u>-2,629</u>	<u>-659</u>	<u>-531</u>	<u>645</u>	<u>-1,139</u>
	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
Tax relief to owner occupied residential property	3,182	3,459	3,759	4,085	4,439
Tax relief to other owners of improved property	<u>1,635</u>	<u>1,777</u>	<u>1,931</u>	<u>2,098</u>	<u>2,280</u>
Direct Expansionary Stimulus	<u>4,817</u>	<u>5,235</u>	<u>5,689</u>	<u>6,183</u>	<u>6,719</u>
Sales Tax Increase	0	0	0	0	0
Reduction in Local Govt and School Dist. Budgets	<u>6,055</u>	<u>6,580</u>	<u>7,151</u>	<u>7,771</u>	<u>8,445</u>
Direct Contractionary Stimulus	<u>6,055</u>	<u>6,580</u>	<u>7,151</u>	<u>7,771</u>	<u>8,445</u>
Net Economic Stimulus	<u>-1,238</u>	<u>-1,345</u>	<u>-1,462</u>	<u>-1,588</u>	<u>-1,726</u>

Economic Impact Simulation Results: CP021

Impacts shown as difference from baseline

	Total Employment	Private Sector Jobs	FL GDP	Personal Income	Labor Earnings	Real Disposable Income (RDI)	RDI per Capita (w/housing prices)	Consumer Price Index (w/HP)
Year	Thousands	Thousands	Billion 2000\$	Billion \$	Billion \$	Billion 2000\$	2000\$	percent*
2009-10	-34.96	-34.01	-1.81	-1.36	-1.54	-3.71	-224	0.6%
2010-11	-20.74	-19.39	-0.52	-1.02	-0.99	-2.27	-189	0.6%
2011-12	-19.95	-18.25	-0.49	-1.08	-0.97	-2.24	-181	0.6%
2012-13	-39.49	-1.36	-0.73	-1.84	-2.00	1.05	-15	-0.1%
2013-14	-71.75	-12.86	-2.23	-3.19	-3.72	0.33	-65	0.0%
2014-15	-73.45	-11.81	-2.24	-3.43	-4.01	0.44	-68	0.0%
2015-16	-75.80	-11.25	-2.30	-3.70	-4.36	0.51	-73	-0.1%
2016-17	-78.46	-10.79	-2.38	-3.98	-4.72	0.59	-79	-0.1%
2017-18	-81.39	-10.40	-2.46	-4.27	-5.10	0.67	-85	-0.1%
2018-19	-84.55	-10.03	-2.54	-4.58	-5.50	0.75	-91	-0.1%
Average	-58.05	-14.02	-1.77	-2.84	-3.29	-0.39	-107	0.1%
Cumulative			-17.68	-28.45	-32.90	-3.89	-1069	

Note: Fiscal impacts of CP021 provided by staff analysis. Temporary sales taxes expire after 2011-12.

* Represents percent change from baseline or control simulation and includes housing price.

Simulations performed with 70-sector, Florida REMI model, v.9.0

Summary of Results for CP021

- Expansionary economic stimulus from property tax relief is smaller than the contractionary effects – initially from higher sales taxes and subsequently from reduced local government and school district spending.
- Florida's economy grows more slowly than under the control simulation as reflected in lower job growth, lower population growth, lower GDP growth, lower income growth in per capita terms.
- Contractionary impact of CP021 would be lower if declines in local government and school district spending from baseline can be avoided.