



# FLORIDA AFL-CIO UNITED LABOR LOBBY



## LEGISLATIVE UPDATE

2009 FLORIDA LEGISLATURE

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### A Small Bit of Real Tax Reform Advances in the Senate



The Florida AFL-CIO is proud to be a member of the Coalition for Fair and Comprehensive Tax Reform, a grassroots, ad hoc coalition of diverse organizations that formed during last year's fight over Amendment 1 (the property tax caps). The coalition remained active during the Taxation and Budget Reform Commission process last summer and has become a constant voice at the Capitol for the types of real tax reform Florida desperately needs. Earlier this year, the coalition, working with the Florida Center for Fiscal and Economic Policy, produced a consensus document that included concrete tax reform proposals that would solve Florida's current budget crisis without cutting our already bare bones budgets for education and other vital social services.

Many of those proposals involve closing loopholes in the state's corporate income tax, which have been added over the past several years especially during the eight years of the Bush administration. The Florida Center for Fiscal and Economic Policy has estimated that if these corporate loopholes and tax giveaways were repealed, returning the Corporate Income Tax to its original form as passed overwhelmingly by the voters in 1971, the state would be able to generate an extra \$2 billion in revenue the first year alone. **SB 2270 by Senator Dan Gelber and HB 1247 by Representative Scott Randolph** close a loophole in Florida's corporate tax system that allows multi-state corporate interests to hide the earnings they make in Florida and escape paying their fair share of the corporate income tax. In addition to robbing the state of critical resources, these practices also put Florida companies that do not have subsidiaries in other states at a serious competitive disadvantage. **Specifically, this legislation seeks to recover between \$350 and \$400 million dollars in revenues lost from the Corporate Income Tax by changing two provisions of Florida's tax policy.**

- **Combined Reporting** - This legislation requires all corporations doing business in Florida to calculate their taxes on the basis of what is called a "combined report" of their business operations within the United States, generally including the parent corporation and most or all its subsidiaries. Almost half the states (21) with corporate income taxes have adopted "combined reporting." Five states have enacted the reform in the last four years, and several others have seriously considered doing so. A major reason for states' growing interest is their recognition of how badly corporate tax shelters that exploit the lack of combined reporting are eroding state corporate tax payments. Corporations have devised a wide variety of strategies to artificially shift profits to out-of-state subsidiaries. For example, the Wall Street Journal estimated that "rent" payments to a wholly-owned Real Estate Investment Trust (REIT) subsidiary led to a state tax savings for Wal-Mart of roughly \$350 million over just four years. Combined reporting will also prohibit the big insurance companies from hiding profits at their out-of-state parent companies.
- **Add-Back Rules** - This provision requires all corporations doing business in Florida to add back to their taxable income expenses that have been taken as deductions (such as royalties paid to passive investment trusts, rent paid to "captive" REITs and premiums to captive insurance companies owned by the parent company) when paid to a subsidiary in a foreign "tax haven" as defined in the bill. A number of states have enacted "add-back rules" such as these to prevent abusive tax-avoidance in their corporate income tax laws. The provision authorizes the Department of Revenue to add-back expenses that are clearly meant to avoid Florida's corporate income taxes.

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## **Tax Reform Cont.**

Identical legislation was introduced last year in both the House and Senate. In the Senate, the bill was never heard. In the House, then Minority Leader Dan Gelber was able to use his position to get a hearing on his bill but after a carefully scripted show involving corporate big shots from Washington D.C. railing against the measure, the bill died with a party-line vote. However, a \$6 billion shortfall can (and should) change priorities. **On Wednesday, April 1st, SB 2270 passed the Senate Commerce Committee with a unanimous vote.** In a statement to the press following the vote Senator Gelber said, "In a fiscal crisis we cannot afford the luxury of loopholes that don't enhance our economy. In fact, Florida's current tax structure creates an unfair advantage for multi-state companies who are able to avoid paying the taxes that companies based only in Florida must pay. I am especially proud that this tax fairness bill passed out of committee on a unanimous, bipartisan vote." Senator Gelber also spoke about the need to take the money collected by closing this loophole and spend it on our public schools. **This is a major positive sign that some in the Senate are realizing that true tax reform is the only answer to Florida's current fiscal woes. Unfortunately, the House seems unwilling to see the light and Republican leaders in that chamber are completely opposed to any real tax reform. Keep an eye out for legislative alerts to find out how you can put some pressure on House leaders to do the right thing for Florida's working families.**

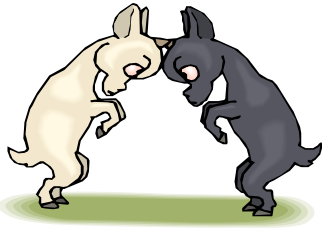
## **Introducing, the Florida Employee Free Choice Act update!**



We had an historic win in 2008, but our work to rebuild America's middle class and improve the lives of workers has just begun. Passage of the Employee Free Choice Act in Congress is essential to rebuilding our economy and giving justice to the millions of America's workers who now more than ever, need a voice at work to protect their wages, healthcare, retirement and workplace safety standards. Big Business knows that change is on the horizon and that is why they are waging a multi-million dollar campaign to spread lies about this critical legislation and stop passage of the Act in Congress. As part of this anti-worker campaign, Florida House Majority Leader Representative Adam Hasner and freshman State Senator Garrett Richter have introduced a deceptive constitutional amendment that will deny the benefits of the Employee Free Choice Act to Florida's workers.

Passage of the Employee Free Choice Act and blocking the Florida constitutional amendment are great challenges that we must overcome. We have to work together and let our voices be heard so that this campaign of lies will not take away the dreams of working Americans—both in the state of Florida and across the nation. This is why we have started a new e-newsletter, the Florida Employee Free Choice Act Update. The update will keep you up to speed on what is going on in the state around the Employee Free Choice Act and the anti-worker amendments in the Florida Legislature. In this exciting new publication, we highlight the extraordinary actions by local unions, members and allies in the community, who are committing tremendous amounts of time and resources to this effort. Additionally, it provides information on upcoming actions and how you can get involved. Subscribe to the new e-newsletter so you can stay abreast of what is happening with the Employee Free Choice Act in Florida and find out how you too can become part of the fight!

**The newsletter is distributed through our E-Activist system. To become an E-Activist, visit our website at [www.flafclcio.org](http://www.flafclcio.org), click on the **"Get Involved"** tab and follow the on-screen instructions. You will also be able to get urgent action alerts that will allow you to easily contact your legislators on the critical issues as we near the final weeks of the Legislative Session.**



# Messages From the Front Lines

## News from the Trenches of the Florida Legislature

The Florida House Takes a Shameful Vote: Florida's Injured Workers in Trouble

In Special Session A of 2003, the Florida Legislature passed sweeping changes to Florida's workers' compensation system. SB 50A passed the Legislature mostly along party lines with Republicans supporting the measure and Democrats standing in opposition. While this major reform package did include some positive aspects, the bulk of the provisions proved disastrous for workers injured on the job in Florida. The legislation, drafted in large part by the insurance lobby, made it much more difficult for injured workers to receive benefits and lowered benefits for those workers lucky enough to get coverage by over \$345 million. There were dozens of provisions that helped insurers reduce benefits at the expense of the injured workers. Some of these included; a tightening of compensability standards, barriers that made it almost impossible for seriously injured workers to be eligible for Permanent Total Disability, reduced Cost of Living Adjustments for injured workers, reduced training benefits for injured workers, a reduction in impairment benefits, the elimination of opportunities for workers to have their own independent doctors and many more. One provision was the imposition of a \$1500 cap on attorney's fees for injured workers. The insurance companies on the other hand, had no cap on how much they could pay their attorneys. In October 2008, the Florida Supreme Court in the case *Murray v. Mariner Health and ACE USA* determined that the caps on attorney's fees violated other provisions of state law. The insurance lobby and big business special interests made reinstating the cap on attorney's fees one of their most important priorities of the 2009 Legislative Session. HB 903, sponsored by Representative Anitere Flores (Deputy Majority Leader in the House and new darling of the anti-worker corporate special interest lobby) will change Florida law so that the \$1500 cap on fees can be reinstated. Florida's workers' compensation system is already one of the most brutal in the nation for workers to navigate. The insurance lobby has decimated the system and made it so difficult for injured workers to receive benefits that access to competent legal counsel is more important now than ever before. Without that access, workers are left to the mercy of the insurance companies, who, as a matter of business, do everything they can to deny the benefits injured workers need and deserve. Most traffic infractions cost more than \$1500 for attorney representation. There is no way that workers can get a competent attorney for \$1500, especially when the insurance companies have no limit on how much they can pay their own lawyers. This legislation is all about denying justice for injured workers. If it passes, workers will be left on their own against the powerful insurance companies at a time of crisis when they need help more than ever. The Florida AFL-CIO has made defending workers from this unfair attack a priority. **On Tuesday, March 31<sup>st</sup>, the Florida House of Representatives passed HB 903 with a 84-35 vote. Nine Democrats voted with the insurance and business lobby against Florida's workers. They are; Representatives Abruzzo, Bemby, Boyd, Brandenburg, Fitzgerald, Long, Saunders, Scionti and Priscilla Taylor. The only Republican to vote on the side of workers was Representative Ed Homan. This was a truly shameful day in the Florida House and the Democrats who betrayed our workers should hear from their constituents. Now the fight moves to the Florida Senate.**

### **Voucher Expansion - OPPOSE**

**SB 1310** by Gardiner, Fasano, Oelrich, Altman, Bennett, Haridopolos, Wise, King, Storms, Dean

**HB 453** by Weatherford, Grady, Horner, Hudson, Workman, Zapata

These bills increase the amount of tax dollars (that should be going to public schools) that can be given to corporations in return for private school vouchers by expanding the types of tax credits that can be awarded to include sales and use tax and insurance premium tax credits. Adding insult to injury, the bill would allow insurance companies to get credit retroactively for contributions they made as far back as 2006 on their 2009 taxes. **SB 1310 passed the Senate Finance and Tax Committee with a 4-1 vote with Democratic Senator Jeremy Ring voting with the Republicans. HB 452 passed the House Finance and Tax Council with a 10-4 vote on April 2<sup>nd</sup>. All of the Republicans on the committee voted in favor of this bad bill joined by one Democrat, Representative Michael Scionti. This bill's next stop is the floor of the House.**

**Constitutional Caps on Local Property Taxes – OPPOSE**

**SJR 738** by Bennett

**HJR 385** by Rivera

The property tax caps enacted by Amendment 1 have been disastrous. Firefighters, police officers, teachers and other critical public employees have been laid off. After school programs, parks and recreation systems and local services for the elderly have all been scaled back or eliminated. This is not the time to tie the hands of local governments with overly simplistic tax policies that are more about electioneering and politics than sound financial practice. The 1.35% hard caps in this proposed amendment, supported by Governor Crist will make the fallout from Amendment 1 seem inconsequential. Floridians need comprehensive solutions and real tax reform, not more gimmicks. **SJR 738 passed the Senate Community Affairs Committee on March 17<sup>th</sup> but the bill's chief sponsor, Senator Bennett has said in the press that he may not have the votes to pass it in the full Senate. The House is another matter. HJR 385 passed the House Finance and Tax Council on March 31<sup>st</sup> with an 11-4 vote with Rep. Scionti casting the only Democratic vote. The bill's next stop is the floor of the House.**

Solving Florida's Budget Crisis

The Florida AFL-CIO and the many organizations that make up the **Coalition for Fair and Comprehensive Tax Reform** have created a document that reflects our consensus position on the tax reform measures that should be enacted during the 2009 Legislative Session. **To find out more about the concrete solutions we have proposed in the Florida Legislature, check our website at [www.flafclio.org](http://www.flafclio.org) under the "Recent Publications" section.** For detailed information on each of the proposals and the fiscal benefits they will bring to the people of Florida, visit our partners at the Florida Center for Fiscal and Economic Policy at [www.fcfe.org](http://www.fcfe.org).

