



NEWS

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PROPERTY TAX/SALES TAX SWAP WILL HURT FLORIDA'S ECONOMY *REMI Model Predicts Economy will Suffer from Swap*

TALLAHASSEE — Increasing Florida's sales tax rate in order to reduce property taxes would leave Floridians with less money in their pockets, cause businesses to produce fewer goods and services, and result in a large loss of jobs. That's one of the findings of a new scientific research study by Florida TaxWatch, which also found that a simple roll-back of property tax rates would boost the state economy and personal income.

"There isn't another study like this available to lawmakers right now," said Dominic M. Calabro, President of Florida TaxWatch. "Our report will help legislators see the short and long term effects of a property tax/sales tax swap and will hopefully help them make wise decisions about providing tax relief for all Floridians."

As Florida's lawmakers are scrambling for ways to find a solution to the property tax crisis in the waning days of the session, Florida TaxWatch urges them to consider its report on the economic impact of the property tax/sales tax swap proposal and use the findings to facilitate negotiations on pending tax relief and reform bills.

Florida TaxWatch and the Florida State University Center for Economic Forecasting and Analysis jointly conducted the research. The Research Report released today, *Model Predicts Florida Economy Will Gain By Property Tax Cut Without Changing Sales Tax*, describes the predicted economic impact of lowering property taxes through a rate rollback and the economic impact of decreasing the property tax with a corresponding increase in sales tax rate.

The study used the REMI econometric model, which is a dynamic input-output model to measure changes in consumer and producer behaviors and their impacts on the state Gross Regional Products, real disposable personal income, employment, population growth, relative cost of production, and a few other economic indicators. The REMI model measured both short-term (one year) and long-term (five year) effects of changes in property and/or sales tax under different scenarios.

(More)

The REMI econometric model predicts that a reduction in property tax with no change in sales tax will boost the economy by increasing both Gross Regional Product and disposable personal income without creating a significant number of job losses. However the model predicted that a property tax/sales tax swap would decrease Gross Regional Product and disposable personal income and trigger a large and growing loss of jobs for Floridians.

The study, which contains different tax and timeline scenarios, also predicts that a property tax cut will attract more people to Florida and increase demand and output in the economy, while a sales tax swap and rate hike will decrease population growth and result in a corresponding reduction in demand and output.

Among the examples in the report: property tax cuts of \$2 billion with no change in the sales tax will add \$470 million to Gross Regional Product and \$1.69 billion to real disposable income in the first year. However, a one percent increase in sales tax to offset a comparable property tax cut will reduce Gross Regional Product by \$940 million and real disposable income by \$140 million. The property tax relief will result in a loss of 9,740 to 46,990 jobs in five years, while a property tax/sales tax swap will cost 34,410 to 147,170 jobs during the same period.

In past research publications, Florida TaxWatch has suggested that the Florida Legislature focus on providing immediate property tax relief for Florida taxpayers this session by rolling back the millage rate and buying down the state Required Local Effort for public schools. Florida TaxWatch continues to caution that longer-term, constitutional changes that attempt to fix inequities created by Save Our Homes not be proposed until all the legal and economic ramifications of such changes be identified, as well as how addressing those inequities would impact all taxpayers. The newly appointed and functioning constitutional Taxation and Budget Reform Commission is positioned to assist the Legislature by fully evaluating all of the property tax reform options. Then, a sound and popular package can be offered to voters that is fair to all taxpayers, helps keep future tax increases in check and creates a system that is good for Florida's competitiveness and economic vitality.

"If the Florida Legislature is hasty in its decision making and doesn't review the facts, more harm than good may be done to the citizens of Florida," said Calabro. "Florida TaxWatch is making this research available as a resource to legislators in coming up with property tax relief, which is so desperately needed."

Media Note: Dominic M. Calabro, President of Florida TaxWatch, is available for media interviews today. Please contact Tiffany Koenigkramer for arrangements.

[Click here to view a copy of the report.](#)

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Florida TaxWatch is a statewide, non-profit, non-partisan research institute that over its 28 year history has become widely recognized as the watchdog of citizens' hard-earned tax dollars. Our mission is to provide the citizens of Florida and public officials with high quality, independent research and education on government revenues, expenditures, taxation, public policies and programs and to increase the productivity and accountability of Florida Government. On the web at www.FloridaTaxWatch.org.