CENTER ON BUDGET AND POLICY PRIORITIES

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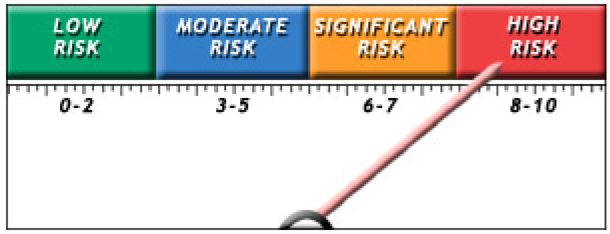
FLORIDA

Most states have structural weaknesses in their tax systems that put them at risk of experiencing gaps between revenues and necessary expenditures in coming years. The Center evaluated each state's likelihood of facing a structural deficit by determining how many of ten "risk factors" applied to each state. Florida is rated as having a high risk of a structural deficit based on its score of nine on the risk scale for structural deficits.



- In Florida, the percent of sales subject to sales tax declined by 12.6 percentage points from 1990-2003, exceeding the US median decline of 8.0 percentage points.

- Florida has significant loopholes in its corporate income tax.

- Florida could lose an estimated $1.5 to $2.4 billion in revenue a year due to the growth of e-commerce. This loss is greater than the national average as a share of total revenue.

- Florida does not have a personal income tax.

- Florida faces spending pressures from: Medicaid, the number of students with special needs, and the number of high school graduates potentially entering college.

- Florida has a constitutional revenue limit that restricts revenue to the average growth rate in personal income for the previous five years and a limit on local assessment increases. It also has a supermajority requirement for corporate tax increases.

- Florida remains linked to the federal phase-out of the estate tax, which eliminates a rapidly growing revenue source and costs the state an estimated $728 million per year.

- Three other national studies (Hovey 1998, Boyd 2002, and Besendorf & Kottlikoff 2002) found that Florida has a structural gap.