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Study: Fla. tax system one of least fair

State is second worst, survey says

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If you are a Florida resident with low to moderate income, you are paying a disproportionate amount of state and local taxes.

So says a nationwide study of state tax systems that shows Florida has the second worst tax system in the U.S. in regards to fairness.

Florida families in the lowest income group — \$10,500 a year — pay an average of 13.5 percent of their income in state and local taxes as compared with families in the highest income group — \$2.4 million a year — who pay an average of 2.1 percent of their incomes in taxes. Moderate income people — those making \$37,400 a year — pay an average of 9 percent of their income in taxes, according to a report by the Institute on Taxation and Economic Policy based in Washington, D.C.

Florida's tax system is a regressive one that relies mainly on sales and property taxes, which place the tax burden unfairly on those who can least afford to pay, says John Hall, executive director of the Florida Center for Fiscal and Economic Policy, a nonprofit based in Tallahassee.

Florida is one of the few states that doesn't have a personal income tax, which is probably the fairest way to tax people, Hall said.

"Our tax system is not only not fair, it's not adequate," Hall said. Low and middle income people usually require more services and are put on waiting lists while more affluent residents paying fewer taxes have the ability to pay for their services, he said.

All of this does not surprise Bradenton Realtor John McKay, former state Senate president, who has been actively trying to get the state's sales tax structure changed by eliminating exemptions.

"They are absolutely correct," McKay said, referring to the study's findings. "The most important thing for the future of Florida's tax system is for it to be fair and capable of meeting the needs of those in the state."

McKay headed the Finance and Tax Committee's efforts last year to eliminate sales tax inequities, which failed to make significant progress.

"Strong special interests are profiting from the status quo," McKay said.

He predicted future changes to make the tax system fairer won't be made "until the chewing gum and bailing wire the Legislature is holding things together with doesn't work any longer."

While Hall said his group realizes getting a personal income tax instituted in Florida is probably not going to happen, the state could make improvements to the existing tax structure by taxing Internet sales, closing loopholes on corporate income tax and reinstituting the intangible tax.

While McKay said these are all good ideas, none of these changes will garner the kind of improvements needed as changing the sales tax structure.

"There are more exemptions than there are things that are taxed," McKay said. "The things the wealthy use are more often tax exempt."

Manatee's two top public tax officials also agree the state's tax system needs to be overhauled.

"Florida's system is based heavily on sales tax and it is not the best way to do things," said Tax Collector Ken Burton. "There are too many ways to avoid paying it and you are trusting people to collect it for you, too."

Property Appraiser Charles Hackney said there are big inequities in the state's property tax system.

"I'm a firm believer that we need to scrap the whole thing and start over," Hackney said. "It is so fouled up and convoluted."

State Rep. Ron Reagan, R-Bradenton, said he would not support instituting a state personal income tax but does believe the state Legislature needs to look at the tax system.

"We need to find a more stable way to tax people," he said.

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