



MAF CAPITAL REVIEW

April 3, 2009

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Workers Comp Bill Held in Senate Committee

The Senate heard SB 2072 Workers Compensation on April 1. The bill would cap attorneys' fees in workers compensation cases and is the companion to HB 903 that passed the House on March 31. Again, the business community lined up on opposite sides from trial lawyers and injured workers. Chair Constantine directed Senator Richter and Senator Ring, who have dueling concepts, to make piece and compromise. After lengthy testimony the bill was temporarily postponed for two weeks, to the disappointment of the business community.

Senate Talks Taxes Again

The Senate Finance & Tax Committee considered SB 2546 on March 31 that makes major changes to Florida's Corporate Income Tax Code. The enactment of the "add-back" provisions limits a multi-state corporation's ability to lower its effective tax rate in Florida by preventing otherwise taxable income from being shifted outside the state. The ability to take a position on a federal return regarding the tax treatment of a subsidiary entity that differs from that taken on a Florida return regarding the treatment of a subsidiary is also limited. The sales factor for the sale of services is updated so that income generated from these sales is sourced to this state. Royalties from intangible assets will also be included in the calculation of the sales factor used to apportion income to Florida. Intercompany transactions are eliminated for separate filers unless the transfer does not distort Florida income. There are a number of other provisions as well. We recommend that your tax staff review this bill and analysis in light of your operations in FL and let us know if and what concerns you may have so we can share them with the Committee Chairman next week. The bill and analysis is attached to this report.

Water Issues

The Florida Water Alliance, an informal group of parties concerned about future water supplies in FL, has produced a brochure entitled "Water: The Ultimate Infrastructure Crisis." The brochure highlights the growing scarcity of water in FL, compounded by drought conditions, alternative water supplies, funding for water development projects, and the importance to growth and business in FL. For a copy, contact our office.

Site Contamination Bill Amended Favorably

HB 1229 was amended with many of the MAF amendments in the House General Government Policy Committee on March 31. The amendments moved the notification of contaminated sites from the responsible party to the Department of Environmental Protection (a huge win) and made this a requirement for instances when contamination is migrating offsite, instead of when it is contained onsite. While we can live with the bill as now written, there are still improvements that should be made to the bill and we are continuing conversations with sponsors in that regard. The Senate bill is up next in the Education Pre K 12 Committee on April 7.

SIC/NAICS Hits a Snag

The economic development bills that contain the MAF language on converting the Standard Industrial Code (SIC) to the North American Industrial Classification System (NAICS) in the municipal utility tax law have hit a snag. The bills also convert the codes in sales tax law. As we suspected early on, the general sales tax code conversion is a big issue with a potentially

very large fiscal impact. Having the two coupled puts our provision in jeopardy. We will be looking at divorcing the issues in order to have success. Furthermore, we expect to receive an “indeterminate” fiscal impact assessment on our provision. Unfortunately, some look upon an indeterminate fiscal impact as a big fiscal impact and that places our provision in jeopardy again. The Revenue Estimating Conference meets on April 6 to discuss our issue.

Springs Bill Stalls

Senator Constantine’s springs bill that would add another layer of regulation on water quality standards in over half of Florida counties was temporarily postponed in the Senate Community Affairs Committee this week but has been agendaed again for next week. We don’t ultimately expect it to move, but it will likely pass the Senate Community Affairs Committee. There is no House companion.

Submerged Lands Fees Increased Then Reduced

The Senate General Government Appropriations Committee heard SB 1012 on submerged lands fees on April 1. The bill originally doubled the fees for leases of submerged lands, from 14.5 cents to 30 cents/square foot, adversely affecting our boat and ship manufacturers. Due to the hard work of Herschel Vinyard, an amendment was drawn to raise the fees only ½ cent/square foot, much more acceptable, and that passed. With legislators looking for money in every nook and cranny, fees and violation penalties are easy targets for increases.

Violation Penalties Increasing

Whether it is truck weights or environmental violations, there are bills in play to increase fines and penalties across the board. HB 1349 Environmental Protection, with environmental penalty increases, passed the House General Government Policy Council on March 31 and the companion, SB 2104, is on the Senate Community Affairs agenda for April 6.

Nuclear Plant Memorial Passed Council

HB 1069 Nuclear Plants passed the House General Government Policy Council on March 31. The bill urges Congress to authorize a fast track program for granting permits to develop and construct new nuclear plants.

Resolution Limiting Non-Homestead Property Tax Increases Moving Ahead in House

HB 7057 Non-homestead Taxes reduces the cap on such property tax increases from 10% to 5%. The bill passed the House Finance & Tax Council on March 31.

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