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Report: Inequitable Tax Structure Costs Florida up to $19.2 Billion

Taxing Top Incomes at the Same Rate as the Middle Class Could Fund Critical State Priorities, Including Education, Services for the Elderly, and a Lower Sales Tax

Tallahassee—As the Florida Legislature grapples with difficult budget choices, a new report out today shows that fixing inequities in the state’s tax structure could generate up to $19.2 billion in revenue.

Florida’s highest-income one percent pay a significantly lower percentage of their income in state and local taxes than those in the middle of the income distribution—1.9 percent to 8.5 percent, respectively. The report, Tax Fairness: An Answer to Florida’s Budget Problems, released by the Florida Center for Fiscal and Economic Policy and the Keystone Research Center, finds that if Florida taxed the wealthiest one percent of taxpayers at the same rate as the middle 20 percent, the state could raise $10.2 billion per year. Similarly, if the top 20 percent of income earners paid a fair tax, Florida would generate $19.2 billion per year.

In the last decade or more, state structural deficits have become more severe because of the combination of more income flowing to the top and the low rates at which those top incomes are taxed. “Revenue lost because of the one-two punch of rising income inequality and regressive state tax codes has led states to impose years of unnecessary austerity—underfunding schools, cutting investments in higher education, and deferring maintenance of our aging infrastructure” said Keystone Research Center economist and executive director, Dr. Stephen Herzenberg. “After 30 years of a middle-class squeeze, it’s time to restore balance.”

In the 1970s, the top one percent of taxpayers received just over 12 percent of total income in Florida. By 2012, their share of Florida’s total income had increased two-and-a-half times, to over 30 percent—the fourth-highest one percent share in any of the 50 states. The shift in income to the one percent means that, every year, more than $154 billion in income now goes to just one percent of Floridians. For context: $154 billion is twice the Florida state budget and 210 times the annual cost of paying down the state’s pension debt.

Taxing upper-income groups at the same overall tax rate as middle-class Floridians would allow the state to finally fund public services adequately. The $10.2 billion raised from tax fairness on the one percent could increase the state budget by 13 percent, counting federal as well as state funds. Those funds could reduce the sales tax from 6 percent state to 5 percent, a cost of $3.8 billion, pay down pension debt, and still leave available over half of the funds for investment in education, services for the elderly, infrastructure, culture and environmental protection.
The twin challenges of rising income inequality and inequitable taxes are not unique to Florida. Nationally, the top one percent pays 5.4 percent of their income in taxes while the middle fifth pays 9.4 percent. Applying tax fairness to the one percent would generate $66 billion nationally, while taxing the top 20 percent at the same rate as the middle class would generate $128 billion.

“Instead of tackling inequality in the tax structure and producing revenue to meet state needs, proposals in the governor’s budget and in the legislature would make our problem worse,” said Alan Stonecipher of the Florida Center for Fiscal and Economic Policy. “Cutting the corporate income tax and providing more tax breaks for big businesses are not the way to help Florida’s middle- and lower-income residents begin catching up with those at the top.”

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