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Report: Florida among top tax-friendly states for business

Jacksonville Business Journal - by [Susan R. Miller](#)

Florida ranks among the top 10 states with the nation's most business-friendly tax systems, according to an index released this week by the Tax Foundation.

The index compares 50 states in five areas of taxation that affect business: corporate taxes, individual income taxes, sales taxes, unemployment insurance taxes and property taxes (which includes residential and commercial property).

Only Wyoming, South Dakota, Nevada and Alaska rank higher.

Published since 2003, the foundation's State Business Tax Climate Index measures how well each state's tax system encourages investment by maintaining a broad tax base and low rates.

"The modern market is characterized by mobile capital and labor. Therefore, companies will locate where they have the greatest competitive advantage," said Josh Barro, the study's author. "States with the best tax systems will be the most competitive in attracting new businesses and most effective at generating economic and employment growth."

The report found that, over the past three decades, the Sunshine State's tax burden has been among the lowest, with Floridians paying \$3,441 per capita in state and local taxes.

"It is obvious that the absence of a major tax is a dominant factor in vaulting Florida to the top of the rankings," the report noted.

Florida is one of seven states that don't collect individual income taxes. The report points out that since most small businesses are either S corporations, partnerships or sole proprietorships, they pay their business taxes at the rates for individuals. This makes the tax environment for small businesses in Florida very competitive compared to other states, it noted.

Barro urges states to be on the lookout for ways to improve their business tax climates. If they stand still, they lose ground to states actively improving their climates.

"States do not enact tax changes [increases or cuts] in a vacuum," Barro explained. "Every tax law will, in some way, change a state's competitive position relative to its immediate neighbors, its geographic region and even globally. Entrepreneurial states will seize opportunities to lure businesses out of high-tax states."

Among other findings:

- Florida's corporate tax structure consists of a flat rate of 5.5 percent on all corporate income, ranking the state 40th highest among those that tax corporate income. In 2006, state-level corporate tax collections (excluding local taxes) were \$132.99 per capita and ranked 31st highest nationally.

- Florida levies a 6 percent general sales or use tax on consumers, above the national median of 5.4 percent.

In 2005, state and local governments combined collected \$1,679 per person in general sales taxes, ranking fifth in the nation.

Florida's statewide gasoline tax is 33.2 cents a gallon (ranked seventh lowest), while its cigarette tax is 33.9 cents per pack of 20 (ranked 45th).

- Florida is one of the 37 states that collect property taxes at both the state and local levels.

Florida collected \$276,786,000 in property taxes during fiscal year 2004 – the most recent year for which data was available – making its combined state and local property taxes \$18.5 billion. That brings Florida's per capita collection to \$1,064 (ranked 19th in the nation).

- Florida taxpayers receive slightly less in federal funding than they send to Washington, D.C.

Per dollar of federal tax collected in 2005, Florida citizens received about 97 cents in the way of federal spending.

The report also pointed out that, during the last year, Florida was engaged in one of the most "active taxation debates" in the country. It centered on Amendment 5, which would have eliminated certain school property taxes in favor of unspecified revenue-raising changes to the state's sales tax.

The Florida Supreme Court ultimately removed Amendment 5 from the ballot, saying its language was misleading.

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