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## GOP: Let computer justify tax incentives

By Aaron Deslatte, Orlando Sentinel Tallahassee Bureau  
March 15, 2010

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#### Poll: Should Florida do more targeted tax breaks?

The GOP wants to spend \$500,000 for a system to target tax breaks to certain businesses. Critics call such systems flawed and say tax cuts rarely pay for themselves. Should Florida try such a system?

- Yes.** Businesses are hurting in Florida, and the state should help where it would do the most good for the economy.
- No.** Florida's mishmash of tax breaks for businesses has helped put the state in a financial bind.
- Maybe.** If this system can be shown to work effectively, then let's try it, but I'm skeptical.

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TALLAHASSEE — State lawmakers have floated more than \$160 million in tax breaks this session to entice everything from the film industry to commercial space ventures, biotechnology firms and a host of other companies to spend more money, buy more equipment or hire more workers.

They even want to help Orlando land an **NBA** All-Star Game by making the tickets tax-free.

But without enough revenue to meet burgeoning health-care and classroom costs, the Republican-led Legislature is scrambling to square its zeal for creating jobs with its constitutional mandate to pass a balanced budget.

In the Capitol these days, the answer seems to be unleashing the economists.

House and Senate leaders are pushing legislation that could make Florida a national leader in the use of sophisticated and pricey computational modeling to better gauge the long-term effect of tax breaks given out to businesses.

The bills, SB 1178 and HB 121, would direct state economists to develop a system that could perform what's called "dynamic modeling" — computations that draw on gigabytes of consumer and business data to determine not just what changes in law would cost in lost taxes, but also whether they might result in added jobs, higher production and, thus, generate more taxes years into the future.

Think of it as a study that looks not just at lost government revenues, but the ripples that tax and spending changes send throughout the economy as consumers and businesses adjust their behavior.

On the surface, the shift sounds like insider stuff. But Space Coast players and Florida's powerful business lobby are pushing the idea full-bore in the hope of passing new tax incentives for research and development, space, biotech and other high-tech fields in future years.

"Dynamic scoring" came into vogue in public budgeting thanks to fans such as former U.S. House Speaker **Newt Gingrich**, who filled the **Congressional Budget Office** with supply-side economists in the mid-1990s to forecast how tax-cut policies would generate economic growth.

California is the most prominent state to experiment with it, but found it cost too much and took too long to study pending legislation.

Economists in other state legislatures have found dynamic scoring tricky to apply on a state or regional level, and too slow to work in the frantic crunch of a legislative session.

"The onus is on us to try to figure out a way to make this work within the compressed legislative time frame in a meaningful way," said

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Amy Baker, the Legislature's chief economist. "If we do that, we would be at the cutting edge in the country."

But some outside economists are leery that traditionally tight-fisted Florida can pull it off.

"If you underfund it, it may be worse than not doing it at all," said Sean Snaith, who directs the **University of Central Florida's** Institute for Economic Competitiveness.

"We're like the cheap uncle who buys a Toyota instead of a Cadillac. You'd be surprised to suddenly see him buy a Rolls Royce, which is kind of what we're looking at in terms of capability," Snaith said. "If you wind up with a lot of grad students working on it, the product might not be worth the endeavor."

The Legislature's economists have asked for \$500,000 to try and make it work. "Our goal is, when we actually pass a bill, we can have an idea of the long-term impact as well as the short-term impact on the state," said Senate President-designate **Mike Haridopolos**, a Merritt Island Republican and Gingrich disciple pushing the measure.

But experts point out that the process doesn't always produce results that its backers like. For example, those CBO studies showed that some of Gingrich's tax-cuts created less economic activity than did government spending.

**President George W. Bush's Treasury Department** used dynamic scoring to show positive economic growth stemming from his capital-gains tax cuts. But the studies also found that tax cuts rarely pay for themselves — offsetting only a fraction of what they cost in lost government revenues, according to the Center on Policy and Budget Priorities, a liberal research group.

Daniel Mitchell, a senior fellow at the conservative **Cato** Institute and an advocate of dynamic scoring, acknowledges that the process isn't always used objectively.

"A dynamic scoring model can generate a much more accurate answer than a static scoring model, but it can be abused by politicians looking to tip the scales for legislation they like," he said.

That concern is echoed by Rep. Keith Fitzgerald, D-Sarasota, a political science professor at New College, who fears **Republicans** see it as a tool to justify any tax-cutting urge.

"Occasionally it works, but it doesn't work across the board," he said. "There's a real world out there that doesn't conform to ideology."

This year, dozens of bills have been tweaked to push off their estimated tax impact, so lawmakers can pass a constitutionally mandated balanced budget this spring. For instance, many of the tax provisions in a sweeping "Jobs for Florida" bill slated for a Senate hearing Tuesday won't do anything for a year or longer to avoid making a dent in state revenues.

That's frustrating for House co-sponsor Steve Crisafulli, R-Merritt Island, who said he puts more stock in the modeling used by companies to predict economic shifts. "I've seen more successful businesses than I have governments."

He and other Republicans take issue with the hefty price tags legislative economists give many bills, based on future revenue losses. They argue that such findings only look at half the equation.

As evidence, they cite the tailgate effect.

Rep. Chris Dorworth, R-Lake Mary, is pushing a bill (HB 637) to make tickets for future **NFL** Pro Bowls, and **NBA** and **NHL** All-Star games in Florida tax-free, as **Super Bowl** and **Major League Baseball** All-Star games already are.

Orlando hopes to snag the NBA All-Star game for its new \$480-million new downtown arena. But economists looking at Dorworth's bill are likely to set its financial impact at the cost of the lost sales tax on tickets — not factoring in the revenues an all-star event would generate by drawing people to eat, drink, shop and fill hotels.

Florida has hosted only two NBA All-Star games. Without the incentive, the state might not land another one, Dorworth argues.

"Tailgate tourism is a big business," Dorworth said. "It is very frustrating because we don't live in a vacuum. Policies we make affect the economy positively and negatively."

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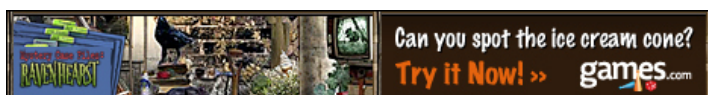
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Fairtaxplease at 5:30 AM March 15, 2010

Tax cuts do work, Why ??? Because when Americans are reassured they have more money in their check, they spend and that is the real economy not the false one the Gov creates with more federal workers.

The problem why Tax cuts get a bad name as not to work is the Gov will see the economy improve and start spending more . The Government must stop all this spending and Corporate favoritism . This is never the way our forefathers ment for this to work. Tax income is the worst thing a Government can do in the first place because it discourages productivity and growth. If this administration raises taxes you watch the recession fall off the cliff ! PEOPLE hate taxes and the higher the Gov makes them the more people will try to hide their money

firescue at 5:21 AM March 15, 2010

To dumb bo, aka Falconer, Crist passed a nice bill in the beginning of his term cutting taxes and saving people a whopping \$200.00 bucks. In reality it cost people ten fold that amount in raised fees for services...like driver's license, auto tags and so on down the line.

Next up, police and fire services, we already lost a helicopter because of costs, even though it saved many lives due to the fact it could reach a hospital in minutes ..put a price tag on your family and ask if that was worth it.

Tax cuts sound good but read you didn't read the part in this artical that says they hurt more than they help...read it again Mr. Falconer, you look pretty uneducated for commenting the way you did.

devo1977 at 5:18 AM March 15, 2010

Taxes are illegal!!!!

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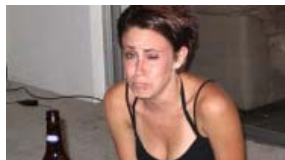
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