Florida’s ‘Shadow Budget’ Increases Spending on Tax Expenditures by $2 Billion

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While lawmakers are busy working on Florida’s state budget, the Office of Economic and Demographic Research released the 2017 Florida Tax Handbook, which reports on state spending on all Florida’s tax breaks for the Fiscal Year 2016-17.

State spending on tax breaks, also called “tax expenditures,” is not included in the General Appropriations Act (the state budget). While the state budget requires legislators to make annual decisions about funding levels for state priorities, tax expenditures require no such review. Instead, once tax expenditure legislation passes the legislature, the expenditure may recur every year. Each tax expenditure represents revenues the state does not collect and that are not available to fund essential state services.

Florida increased spending on all of the state’s tax expenditures by $2 billion, from $17.7 billion in 2015-16 to $19.7 billion in 2016-17. This represents an annual increase of more than 11 percent, which is more than double that of the previous year, and represents the highest annual increase since 2005. Almost 75 percent of the increase is for corporate income tax breaks.

In Fiscal Year 2016-17, Florida’s shadow budget:

- Increased spending on corporate income taxes by more than 100 percent, almost $1.5 billion, for a total of $2.86 billion. Spending on corporate income tax breaks exceeds projected corporate income tax revenues for 2017-18 by more than $600 million. In other words, Florida credits more in corporate taxes than it collects.

- Increased spending on tax breaks for insurance companies by almost $100 million, for a total of nearly $1 billion. Spending on insurance premium tax breaks exceeds projected total insurance premium tax revenues for 2017-18 by almost $205 million. Insurance companies benefit from $300 million per year simply for employing personnel in Florida.

- Increased spending on sales and use tax breaks by almost $666 million, for a total of $13.6 billion.

- Decreased spending on gross receipts tax breaks by almost $200 million, for a total of $383 million.