



Florida Constitution Revision Commission **PROPOSAL 100** Florida Chamber of Commerce **STAFF ANALYSIS**

Proposal 100 - Capping Private Salaries

Proposal 100 has been introduced by Commissioner Frank Kruppenbacher for consideration by the full Constitution Revision Commission. This proposal eliminates all ad valorem tax exemptions for corporations or nonprofits that pay any employee more than \$300,000 a year. Annually, this salary limitation will be adjusted by inflation and published by the Florida Department of Revenue. The proposal excludes only medical professionals licensed by the state from the term “employee.”

This proposal sets to limit private salaries by preventing corporations and non-profits from receiving property tax exemptions. The relevant portion of this proposal is as follows, “A nonprofit organization or a corporation that compensates an individual employee at a rate that exceeds \$300,000 annually is not eligible for any exemption from ad valorem taxation.”

The Florida Chamber opposes this proposal for the following reasons:

- 1. The proposal provides for governmental interference in private business decisions and sets a cap on private salaries.** If a business chooses to compensate an employee more than \$300,000 annually, they are punished by losing all exemptions from ad valorem taxation. Salary and benefit packages are a means for companies to attract top talent, and businesses will be forced to weigh compensation decisions against ad valorem exemptions. The purpose of this proposal can easily be construed as government capping what a private organization can pay its employees. In addition, a quick search of the Florida government salary database shows that there are over 300 state employees that are paid more than \$300,000 annually. This proposal, while well intended, should consider alternative factors rather than compensation information to set tax exemption guidelines.
- 2. The proposal is vague and subject to interpretation.** The Florida Legislature would likely have to pass legislation to implement this proposal. There are various types of nonprofit organizations and corporations, which would have to be defined. It is not clear if other business types, such as limited liability companies, partnerships and sole proprietorships are intended to be a part of this proposal. The proposal also fails to define compensation, which could include benefits, such as insurance, retirement, bonuses, or be defined simply as one’s salary. Lastly, the proposal fails to define “employee,” which is problematic as more and more people are employed as independent contractors or on a 1099 basis. The fact that these terms are not defined leave them subject to interpretation, and may result in court challenges to interpret the meaning and intent behind each term.
- 3. The proposal discourages major businesses from coming to Florida or doing business in Florida.** States regularly compete to attract major corporations, and this proposal will put us at a competitive disadvantage. A large company that came to Florida would automatically receive different tax treatment if it compensates any employee at more than \$300,000. The average CEO salary for a Fortune 500 company is \$10.5 million. Additionally, the proposal could be interpreted to mean that if any employee, regardless of location, is compensated annually more than \$300,000, the company would lose its ad valorem exemption. Such tax ramifications could significantly inhibit growth, or even cause companies to leave Florida. Corporations could also be forced to report all employee compensation information to the Florida Department of Revenue, not just those employees in Florida.

The Florida Chamber believes in competitive and equitable tax policies, and that government should limit its intrusion into decisions surrounding the employer-employee contractual relationship. Additionally, the Florida Chamber believes in free enterprise and that competition is sufficient in determining factors such as compensation. Therefore, the Florida Chamber opposes Proposal 100.

“Everything we do at the Florida Chamber of Commerce is about protecting and enhancing Florida’s competitiveness. The global marketplace we compete in is demanding and government cannot and should not place additional hurdles in front of our ability to attract and retain top shelf talent and job creators”

MARK WILSON, President and CEO
Florida Chamber of Commerce