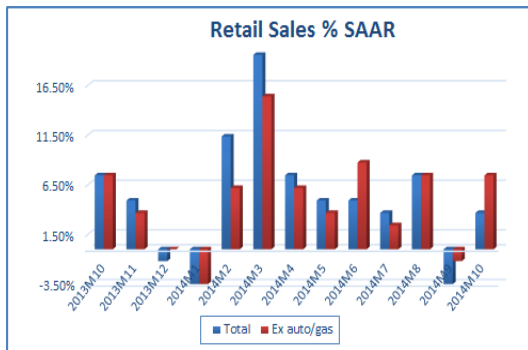


## ECONOCAST™ UPDATE – November 17, 2014

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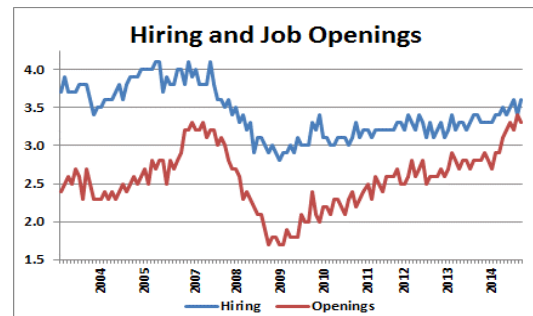
### U.S. Economy – It will be a Very Merry Christmas

The outlook is merry and bright for holiday retail sales. Sales rose 0.3% in October reversing the September decline. Falling gas prices held down top line sales, but excluding sales of gasoline and cars, core retail sales rose at a 7.4% annual rate in October. It appears that consumers are spending some of the money saved on gas at other retailers.

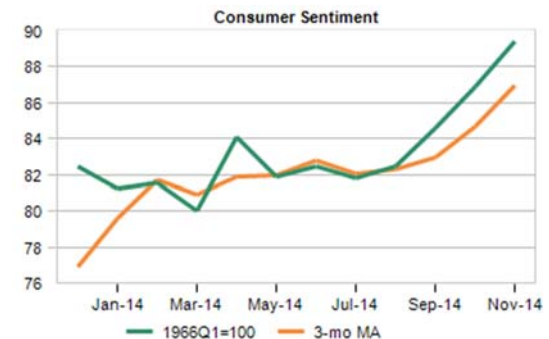


The fundamentals point to a strong holiday sales season with sales up 5% compared to 3.1% last year. Gas will remain well below \$3/gallon; job growth is steadily increasing; new home sales will support a rise in durable home goods; and business investment spending is increasing.

The positive outlook for employment was reinforced by the latest JOLTS report. Hiring is finally catching up with the available jobs. Hiring reached a post-recession peak in September. Since the beginning of the year, job openings grew much more than hiring. This disconnect was explained by employers being picky, but this is now abating.

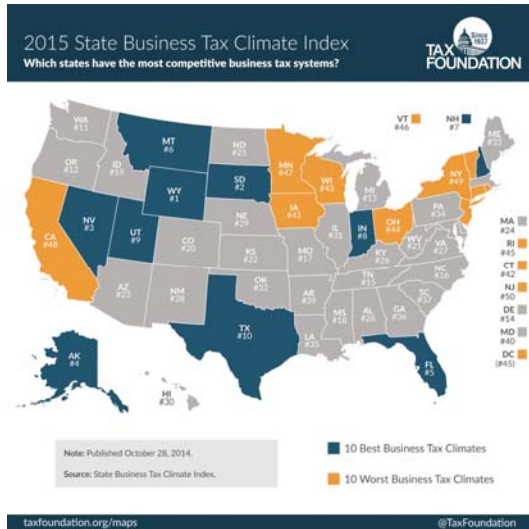


Consumer confidence shot higher, hitting 89.4, its strongest showing since July 2007. So, holiday sales are going to be strong.



## Florida Economy: Florida Ranks 5<sup>th</sup> in Business Tax Climate

For the fourth year in a row Florida has ranked 5<sup>th</sup> in the nation for the lowest business taxes.



Florida's very favorable ranking is because there is no State income tax, and because corporate taxes and property taxes are quite low compared to the other states. Below are the rankings for the ten states with the lowest business taxes.

	Overall Rank	Corporate Tax Rank	Income Tax Rank	Sales Tax Rank	Property Tax Rank
Wyoming	1	1	1	13	35
South Dakota	2	1	1	35	18
Nevada	3	1	1	39	9
Alaska	4	30	1	5	32
Florida	5	14	1	12	16
Montana	6	18	20	3	8
New Hampshire	7	48	9	2	43
Indiana	8	22	10	10	5
Utah	9	5	12	19	4
Texas	10	39	6	36	36

At the other end of the business tax continuum are states like New Jersey, New York and California with relative high business taxes. States with low taxes promote themselves as particularly attractive to businesses and business taxes do matter. However, business taxes alone do

not explain why some states have better job performance than others. For example, high tax states like California, Minnesota, and New York have enjoyed above average gains in employment since the Great Recession. So, taxes alone cannot fully explain relative job performance. Location, natural resources, a skilled labor force, energy costs, and the quality of the public school system are also very important factors in job growth across the states.

	Overall Rank	Corporate Tax Rank	Income Tax Rank	Sales Tax Rank	Property Tax Rank
Connecticut	42	32	34	31	49
Wisconsin	43	33	43	14	31
Ohio	44	26	47	32	20
Rhode Island	45	43	38	26	47
DC	45	38	35	42	44
Vermont	46	42	44	16	48
Minnesota	47	44	46	37	34
California	48	34	50	42	14
New York	49	20	49	40	46
New Jersey	50	41	48	48	50

Since Florida already has very low business taxes, cutting business taxes even more, as proposed by the Governor, are unlikely to have much effect on job growth. Instead, tax cuts may have unintended consequences. During periods of strong revenue growth, including this upcoming fiscal year, Florida can cut taxes and still maintain spending on education and other services. But, when the inevitable slowdown occurs, Florida will have to slash spending to maintain a balanced budget. Florida lawmakers also resort to increasing the levels of so-called "required local effort" forcing school boards to raise property taxes to support education funding. This tendency has caused Florida's property taxes to creep up to 16<sup>th</sup> in the U.S. blunting the positive impacts of the earlier tax cuts.