

STORAGE NAME: h0253a.ca
DATE: February 27, 1997

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
COMMUNITY AFFAIRS
BILL ANALYSIS & ECONOMIC IMPACT STATEMENT**

BILL #: HB 253

RELATING TO: Ad Valorem Tax Administration (Late Payment of Installment)

SPONSOR(S): Representative Smith

STATUTE(S) AFFECTED: 197.222, F.S.

COMPANION BILL(S): SB 658 (i)

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

- (1) COMMUNITY AFFAIRS YEAS 7 NAYS 0
- (2)
- (3)
- (4)
- (5)

I. SUMMARY:

This bill allows a tax collector to accept a late payment for the first installment of ad valorem taxes paid on the installment method if such payment is made within 30 days after the first payment is due, which is June 30. The bill requires that such a late payment must be accompanied by a penalty of 5 percent of the amount of the installment due.

This bill has no fiscal impact on state agencies or state funds.

This bill is estimated to have an indeterminate positive fiscal impact on local governments **(See Fiscal Analyses & Economic Impact Statement for explanation).**

II. SUBSTANTIVE ANALYSIS:

A. PRESENT SITUATION:

Section 197.222, Florida Statutes, 1996 Supplement, allows the prepayment of ad valorem taxes on any real property with more than \$100 of estimated taxes due. A taxpayer who elects to prepay taxes makes payments based upon an estimated tax equal to the actual taxes levied upon the subject property in the prior year. Such taxpayer must complete and file an application with the tax collector prior to May 1 of the year in which the payments will be made. Installment payments must be made according to the following schedule:

- The first payment of one-quarter of the total amount of estimated taxes due must be made not later than June 30 of the year in which the taxes are assessed. A 6-percent discount applied against the amount of the installment is granted for such payment.
- The second payment of one-quarter of the total amount of estimated taxes due must be made not later than September 30 of the year in which the taxes are assessed. A 4.5-percent discount applied against the amount of the installment is granted for such payment.
- The third payment of one-quarter of the total amount of estimated taxes due, plus one-half of any adjustment made pursuant to a determination of actual tax liability, must be made not later than December 31 of the year in which taxes are assessed. A 3-percent discount applied against the amount of the installment is granted for such payment.
- The fourth payment of one-quarter of the total amount of estimated taxes due, plus one-half of any adjustment made pursuant to a determination of actual tax liability, must be made not later than March 31 following the year in which taxes are assessed. No discount is granted for this payment.

A taxpayer must pay the first installment payment in order to participate in the installment payment plan. Once a taxpayer elects to participate by timely paying the first payment, he or she is required to continue participation for the tax year in which the payment was first made. In the event a taxpayer fails to timely make an installment payment subsequent to the first payment, such taxpayer shall be required to remit with his or her next installment payment an amount equal to the current installment amount plus any installment amount due but unpaid. Delinquent payments are computed without allowance for any discount. Any amounts which remain unpaid as of the date of delinquency established for regular tax payments are subject to all the provisions of law applicable to delinquent taxes.

Subsection 197.222(4), Florida Statutes, 1996 Supplement, requires that the moneys collected by the installment method be placed in an interest-earning account. The moneys are to be distributed by the tax collector to each taxing authority.

B. EFFECT OF PROPOSED CHANGES:

This bill allows a tax collector to accept a late payment for the first installment of ad valorem taxes paid on the installment method if such payment is made within 30 days after June 30. The bill requires that such a late payment must be accompanied by a penalty of 5 percent of the amount of the installment due.

C. APPLICATION OF PRINCIPLES:

1. Less Government:

a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

Yes. The bill gives county tax collectors the ability to accept late payments of the first installment of ad valorem taxes paid on the installment method if such payment is made within 30 days after June 30.

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

Yes. The bill adds an additional administrative task to be implemented by county tax collectors by allowing late payment of the first installment of ad valorem taxes. This may require tax collectors to revise computer programs to keep track of the new deadline and make taxpayers aware of the new law.

(3) any entitlement to a government service or benefit?

No.

b. If an agency or program is eliminated or reduced:

Not Applicable (N/A).

(1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

N/A

(2) what is the cost of such responsibility at the new level/agency?

N/A

(3) how is the new agency accountable to the people governed?

N/A

2. Lower Taxes:

a. Does the bill increase anyone's taxes?

No.

b. Does the bill require or authorize an increase in any fees?

No.

c. Does the bill reduce total taxes, both rates and revenues?

No.

d. Does the bill reduce total fees, both rates and revenues?

No.

e. Does the bill authorize any fee or tax increase by any local government?

No.

3. Personal Responsibility:

a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

No.

b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

Yes. Taxpayers who desire to pay late will be charged a penalty of 5 percent of the amount of the installment due.

4. Individual Freedom:

a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

Yes. The bill gives individual taxpayers another option for payment of their taxes.

- b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

No.

5. Family Empowerment:

N/A

- a. If the bill purports to provide services to families or children:

N/A

- (1) Who evaluates the family's needs?

N/A

- (2) Who makes the decisions?

N/A

- (3) Are private alternatives permitted?

N/A

- (4) Are families required to participate in a program?

N/A

- (5) Are families penalized for not participating in a program?

N/A

- b. Does the bill directly affect the legal rights and obligations between family members?

N/A

- c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

- (1) parents and guardians?

N/A

(2) service providers?

N/A

(3) government employees/agencies?

N/A

D. SECTION-BY-SECTION ANALYSIS:

Section 1: Amends paragraph (a) of subsection (1) of section 197.222, Florida Statutes, 1996 Supplement, to allow a tax collector to accept a late payment of the first installment of ad valorem taxes paid on the installment method if such payment is made within 30 days after June 30. The bill also requires that such a late payment must be accompanied by a penalty of 5 percent of the amount of the installment due.

Section 2: Provides that the act shall take effect on January 1, 1998.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

None.

2. Recurring Effects:

None.

3. Long Run Effects Other Than Normal Growth:

None.

4. Total Revenues and Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

There may be start-up costs to tax collectors to implement this bill. These start-up costs would include the cost of notification to taxpayers of the change in the law and costs associated with changes in bookkeeping needed to keep-track of and monitor late payments. Data are not available to estimate the exact amount of these costs. However, individuals who pay late will be charged a 5 percent penalty that could be used to pay these administrative costs.

2. Recurring Effects:

The recurring local fiscal impact of this bill is the monetary difference between the amount of money a tax collector will receive from the 5 percent penalty for a 30 day late payment, and the cost to the tax collector of administering the policy and from loss of potential interest income. Given that the current interest market is offering 3 to 4 percent annually, tax collectors should make money on the 5 percent penalty. Data are not currently available to determine the magnitude of this profit or if this profit would offset the administrative costs of implementing this policy.

3. Long Run Effects Other Than Normal Growth:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

If an individual decides to make a late payment of the first installment of ad valorem taxes paid by the installment method, such an individual will be charged a penalty of 5 percent of the amount of the installment due.

2. Direct Private Sector Benefits:

Gives an individual taxpayer another option for paying ad valorem taxes.

3. Effects on Competition, Private Enterprise and Employment Markets:

None.

D. FISCAL COMMENTS:

None.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require the expenditure of funds by counties or municipalities.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the revenue raising authority of counties or municipalities.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill does not reduce state tax shared with counties and municipalities.

V. COMMENTS:

The sponsor has stated that he is filing this bill at the request of the Putnam County Tax Collector because of a concern in that county that if a person is one day late on paying the first installment, that taxpayer must pay all the taxes due and can no longer participate in the installment method. Because approximately one-third of all residential taxpayers in Putnam County pay on the installment method, there are often cases where a taxpayer may be a day or so late and then can not pay the entire bill. The sponsor's intent is to give a 30 day grace period with a penalty that is believed to be enough to pay any costs of the program.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

None.

VII. SIGNATURES:

COMMITTEE ON COMMUNITY AFFAIRS:

Prepared by:

Legislative Research Director:

Jenny Underwood Dietzel

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