

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

BILL: CS/SB 1058

SPONSOR: Comprehensive Planning, Local and Military Affairs Committee and Senator Wise

SUBJECT: Consolidated Governments

DATE: February 5, 2002 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Cooper	Yeatman	CA	Favorable/CS
2.	_____	_____	FT	_____
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

I. Summary:

This bill authorizes consolidated governments to impose the insurance premium tax on policies covering property within one or more incorporated areas within the consolidated government.

This bill amends the following sections of the Florida Statutes: ss. 175.041 and 175.101.

II. Present Situation:

Firefighter Pensions

Chapter 175, F.S., establishes a uniform retirement system for firefighters employed by Florida municipalities and special districts. This chapter provides for two types of plans: "Chapter" plans, which are plans that meet the minimum provisions of the chapter, and "local law" plans, which are plans created by special act or local ordinance that may or may not be required to meet the minimum standards set forth in the chapter.

Most Florida firefighters participate in these plans. Statewide, about 11 cities have chapter plans and 171 cities have local law plans for firefighters under chapter 175, F.S.

Funding for the pension plans are provided, in part, by net proceeds from an excise tax levied by the city upon property and casualty insurance companies (known as the "premium tax"). Chapter 175, F.S., was originally enacted in 1939 to provide this incentive -- access to premium tax revenues -- to Florida cities to encourage them to establish retirement plans for firefighters. Special fire control districts became eligible to participate under chapter 175, F.S., in 1993. To qualify for premium tax revenues, plans must meet requirements of chapter 175, F.S. Responsibility for overseeing and monitoring these plans lies with the Division of Retirement of

the Department of Management Services, but day-to-day operational control rests with local boards of trustees.

Insurance Premium Taxes

The Florida Insurance Code is found in ch. 624, F.S. The state imposes a tax on insurance premiums in s. 624.509, F.S. In FY 1999/00, the state collected \$392.9 million from the insurance premium tax. Subsection 624.509(7), F.S., allows for a tax credit against the state insurance premium tax for the municipal and special district insurance premium tax imposed under s. 175.101, F.S.

Section 175.101, F.S., authorizes municipalities and special fire control districts with firefighter pension plans established and regulated under ch. 175, F.S., to impose an excise tax (1.85%) on the gross receipts of premiums on property insurance policies covering property within their political jurisdictions. The tax cannot be imposed outside the municipal boundary, even if the municipality is providing services in those areas. Additionally, s. 175.041, F.S., provides that the tax may not be imposed in (1) the unincorporated areas of any county or counties except with respect to special fire control districts that include unincorporated areas, or (2) by any governmental entity whose firefighters are eligible to participate in the Florida Retirement System.

The Department of Revenue collects both the state and local tax from insurance carriers and distributes the local tax proceeds to qualified municipalities and special districts. In FY 1999/00, DOR distributed \$85.7 million to municipalities and special districts levying the tax.

In 1999, four cities in Duval County had ch. 175, F.S., pension plans and levied the insurance premium tax: Atlantic Beach (\$65,985 in proceeds); Jacksonville (\$1,963,442 in proceeds); Jacksonville Beach (\$154,269 in proceeds); and Neptune Beach (\$31,914 in proceeds). In 2000, Jacksonville assumed fire protection responsibilities for Atlantic Beach and Neptune Beach. Consequently, these cities no longer qualified to levy the insurance premium tax. Jacksonville is ineligible to levy the tax in the cities of Atlantic Beach and Neptune Beach because s. 175.041, F.S., restricts the levy to the areas within the municipal boundary. The City of Jacksonville Beach continues to maintain its own municipal fire department and receives state premium tax revenues as a participating municipality. The Town of Baldwin does not have a ch. 175, F.S., pension plan for firefighters and, consequently, does not levy the tax.

Consolidated City/County Government

Section 3, Art. VIII of the State Constitution, authorizes the governments of a county and one or more municipalities located within the county to be consolidated into a single government. The consolidation plan may be proposed only by special law, which will become effective if approved by vote of the electors of the county, or of the county and municipalities affected, as specified in the plan.

Section 6(e), Art. VIII of the State Constitution, provides that the consolidated governments adopted under the 1885 State Constitution, as amended, remain "in full force and effect...until that county shall expressly adopt a charter or home rule plan" pursuant to Article VIII. This provision recognizes the consolidated municipal corporation of the City of Jacksonville and Duval County, and the home rule charter of government for Dade County.

III. Effect of Proposed Changes:

Section 1 amends s. 175.041, F.S., to authorize consolidated governments which are “made up of a former county and one or more municipalities, consolidated pursuant to the authority in s. 3, Art. VIII, or s. 6(e), Art. VIII of the State Constitution,” to enact an ordinance imposing the insurance premium tax on other cities in the county. Such consolidated governments must then notify the Division of Retirement (division) of the Department of Management Services that it has entered into an interlocal agreement to provide fire services to a municipality within its boundaries. Upon being provided copies of the interlocal agreement and the municipal ordinance levying the tax, the division may distribute any premium taxes reported for the municipality to the consolidated government as long as the interlocal agreement is in effect.

Section 2 amends s. 175.101, F.S., to apply this section of the statute to

“any municipality consisting of a single consolidated government which is made up of a former county and one or more municipalities, consolidated pursuant to the authority in s. 3, Art. VIII, or s. 6(e), Art. VIII of the State Constitution, and to property insurance policies covering property within the boundaries of the consolidated government, regardless of whether the properties are located within one or more separately incorporated areas within the consolidated government, provided the properties are being provided fire protection services by the consolidated government.”

The City of Jacksonville is the only municipality in the state that currently qualifies under these specifications, and the city provides fire protection services for the cities of Atlantic Beach and Neptune Beach. Therefore, this provision would allow the City of Jacksonville to impose the insurance premium tax in the cities of Atlantic Beach and Neptune Beach.

Section 3 provides that the bill becomes effective upon becoming a law.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:**A. Tax/Fee Issues:**

This proposal would shift approximately \$100,000 annually in insurance tax premiums from the state to the City of Jacksonville.

B. Private Sector Impact:

Insurance carriers in Atlantic Beach and Neptune Beach will receive a credit on the state insurance premium tax for local insurance premium taxes paid to the City of Jacksonville.

C. Government Sector Impact:

None.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.
