

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 1126

SPONSOR: Comprehensive Planning Committee and Senator Atwater

SUBJECT: Local Government Half-Cent Sales Tax

DATE: March 12, 2003 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Cooper	Yeatman	CP	Favorable/CS
2.	Keating	Johansen	FT	Favorable
3.	_____	_____	AGG	_____
4.	_____	_____	AP	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

I. Summary:

This CS allows the Department of Revenue (DOR) to adjust county and municipal distributions of the Half-Cent Sales Surtax proceeds when errors are made in the calculations, retroactive to October 1, 2000.

This bill amends section 218.62 of the Florida Statutes.

II. Present Situation:

The Local Government “Half-Cent” Sales Tax

The Local Government “Half-Cent” Sales Tax program is governed by part VI of ch. 218, F.S.¹

Created in 1982, the program generates the largest amount of revenue for local governments among the state-shared revenue sources currently authorized by the Legislature. It distributes net sales tax revenue to counties and municipalities that meet strict eligibility requirements. Allocation formulas serve as the basis for this distribution to each county and its respective municipalities. The program’s primary purpose is to provide relief from ad valorem and utility taxes in addition to providing counties and municipalities with revenues for local programs.

The program consists of three distributions of sales tax revenues collected pursuant to chapter 212, F.S. The first (ordinary) distribution is the transfer of 9.653 percent of net sales tax proceeds to the Local Government Half-cent Sales Tax Clearing Trust Fund. The second (emergency) and third (supplemental) distributions are the transfer of 0.065 percent of net sales tax proceeds to the trust fund. The emergency and supplemental distributions are available to select counties that

¹ Much of this background information is taken from Legislative Committee on Intergovernmental Relations *Local Government Financial Information Handbook, 2002 Edition*, pp. 47-53.

satisfy certain eligibility requirements relating to the existence of a county fiscal emergency or a county's inmate population being greater than seven percent of the total county population.

Section 218.62, F.S., sets forth the distribution formula for the "Half-Cent" Sales Tax proceeds. The proportion for each county is computed by dividing the sum of the unincorporated area population plus two-thirds of the incorporated area population by the sum of the total county population plus two-thirds of the incorporated area population. The proportion for municipalities is computed by dividing the population of that municipality by the sum of the total county population plus two-thirds of the incorporated area population.

Section 186.901, F.S., requires the Office of Economic and Demographic Research (EDR) to annually compile population estimates of local governmental units as of April 1 of each year, utilizing accepted statistical practices. Population is computed as the number of residents, employing the same general guidelines used by the United States Bureau of the Census. These estimates are used in the calculation of all local government revenue-sharing distributions.

AGO 2002-36

A representative from the Town of South Palm Beach reports that following the 2000 Census, an erroneous population figure for the Town of South Palm Beach was published. In 2002, a corrected figure was provided to DOR, and the department stated that they would incorporate the revised figures in the current fiscal year for the Municipal Revenue Sharing Program, pursuant to s. 218.26(3)(b), F.S. However, DOR stated that a similar correction could not be made for the Half-Cent Sales Tax Program, as the statutes do not authorize such adjustments.

When asked by the town council of the Town of South Palm Beach to address this issue, the Attorney General issued the following opinion:

Unlike the provisions of section 218.26, Florida Statutes, relating to the Revenue Sharing Trust Fund, which provides for the correction of errors during a fiscal year, there is no statutory authority to allow the adjustment of the apportionment factors for distributions under part VI, chapter 218, Florida Statutes, relating to the Local Government Half-cent Sales Tax Clearing Trust Fund, during a fiscal year.²

III. Effect of Proposed Changes:

Section 1 creates subsection (4) of s. 218.62, F.S., to allow the Department of Revenue to adjust county and municipal distributions of the Half-Cent Sales Tax proceeds when errors are made in the calculations. Retroactive to October 1, 2000, the apportionment factors for Half-Cent Sales Tax proceeds remain in effect for the fiscal year, except in the case of error in the population certified pursuant to s. 186.901, F.S. Adjustments to distributions to correct errors must be made subsequent to receipt of corrected population figures.

This language is similar to a provision in s. 218.26(3)(b), F.S., relating to revenue sharing with local governments, which allows DOR to adjust distributions when errors are made in the calculation.

² AGO 2002-36.

Section 2 provides that the CS will take effect upon becoming a law and will apply retroactively to October 1, 2000.

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:

As a result of a census error, in 2001 the cities of Lantana and the Town of Palm Beach received Half-Cent Sales Tax revenues that should have been sent to the Town of South Palm Beach. This CS allows DOR to correct the distribution of the Half-Cent Sales Tax proceeds when errors are made in the calculations, retroactive to 2000. DOR is not aware of any other local governments that will be impacted, retroactively, by this provision.

B. Private Sector Impact:

None.

C. Government Sector Impact:

When an error is made in the calculation of the Half-Cent Sales Tax distribution as a result of an error in population estimates, a correction can be made during the fiscal year as a result of the proposed changes to s. 218.62, F.S., made by the CS, thus enabling cities and counties to receive their corrected distributions.

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.
