

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 55 CS
SPONSOR(S): Kendrick and others
TIED BILLS:

Voter-Approved Indigent Care Surtax
IDEN./SIM. BILLS: SB 470

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) <u>Health Care General Committee</u>	<u>12 Y, 0 N</u>	<u>Schiefelbein</u>	<u>Brown-Barrios</u>
2) <u>Finance & Tax Committee</u>	<u>7 Y, 0 N, w/CS</u>	<u>Monroe</u>	<u>Diez-Arguelles</u>
3) <u>Local Government Council</u>	<u>8 Y, 0 N</u>	<u>Camechis</u>	<u>Hamby</u>
4) <u>Health & Families Council</u>	<u></u>	<u>Schiefelbein</u>	<u>Moore</u>
5) <u></u>	<u></u>	<u></u>	<u></u>

SUMMARY ANALYSIS

HB 55 CS amends subsection (7) of s. 212.055, F.S., to allow small counties to levy the Voter-Approved Indigent Care Surtax. Specifically, the bill authorizes counties which levy 8 mills or more for county operational purposes and where one mill of taxation will raise \$1 million or less, to levy the Voter-Approved Indigent Care surtax up to 1 percent, rather than the 0.5 percent surtax authorized in existing law. In effect, the bill allows seventeen additional counties to levy up to 1 percent.

In counties which meet the taxable value and millage rate limitations, the bill allows the county to issue bonds to finance, plan, construct, or reconstruct a public or not-for-profit hospital in the county and any land acquisition, land improvement, design, or engineering costs related to such hospital, if the governing body determines that a hospital in existence at the time of the issuance of the bonds would, more likely than not, otherwise cease to operate. The bill requires the clerk of the circuit court, as the ex-officio custodian of the funds of the authorizing county, to disburse the bonds to service bond indebtedness upon a directive from the authorizing county. The directive from the authorizing county may be irrevocably given at the time the bond indebtedness is incurred.

The fiscal impact is indeterminate. The committee substitute provides discretionary authority to impose and collect a surtax by referendum in counties which levy 8 mills or more for county operational purposes and where one mill of taxation will raise \$1 million or less. Based on the Revenue Estimating Conference's estimate of the original bill, if all seventeen eligible jurisdictions enact the levy, the statewide annualized impact would be \$9.1 million.

The bill provides an effective date upon becoming law.

This document does not reflect the intent or official position of the bill sponsor or House of Representatives.

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FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Lower Taxes – This bill would provide some counties with additional taxing authority.

B. EFFECT OF PROPOSED CHANGES:

Present Situation

Section 212.055, F.S., authorizes counties to impose seven local discretionary sales surtaxes (taxes) on all transactions occurring in the county subject to the state tax imposed on sales, use, services, rental, and admissions. The sales amount is not subject to the tax if the property or service is delivered within a county that does not impose a surtax. In addition, the tax is not subject to any sales amount above \$5,000 on any item of tangible personal property and on long distance telephone service. This \$5,000 cap does not apply to the sale of any other service. The Department of Revenue (DOR) is responsible for administering, collecting, and enforcing all sales taxes. Collections received by the department are returned monthly to the county imposing the tax.

The tax rates, duration levied, method of imposition, and proceed uses are individually specified in s. 212.055, F.S. Table 1 identifies the seven taxes, the rate limits, and the number of counties authorized to impose and the number imposing the tax. The maximum combined rate for the Local Government Infrastructure Surtax, the Small County Surtax, the Indigent Care and Trauma Center Surtax, and the County Public Hospital Surtax, is 1 percent. In counties with a publicly supported medical school levying the Voter-Approved Indigent Care Surtax, the combined rate is 1.5 percent. The maximum combined rate for counties authorized to levy the Charter County Transit System Surtax is 2.5 percent. The School Capital Outlay Surtax is capped at 0.5 percent, and is not included in these tax rate caps.

TABLE 1			
Local Discretionary Sales Surtaxes			
TAX	AUTHORIZED LEVY (%)	NUMBER OF COUNTIES AUTHORIZED TO LEVY TAX	NUMBER OF COUNTIES LEVYING TAX
Charter County Transit System Surtax	up to 1%	7	2
Local Government Infrastructure Surtax	0.5% or 1%	67	23
Small County Surtax	0.5% or 1%	31	22
Indigent Care & Trauma Center Surtax	up to 0.5%	5	1
County Public Hospital Surtax	0.5% (Miami-Dade County)	1	1
School Capital Outlay Surtax	up to 0.5%	67	16
Voter-Approved Indigent Care Surtax	0.5% or 1%	60	2

Source: Legislative Committee on Intergovernmental Relations, Local Discretionary Sales Surtax Rates in Florida's Counties for 2005

Voter-Approved Indigent Care Surtax

Section 16 of ch. 2000-312, L.O.F., created s. 212.055(7), F.S., to authorize counties with less than 800,000 residents to impose, with referendum approval, the Voter-Approved Indigent Care Surtax. The rate of the levy is capped at 0.5 percent or 1 percent if a publicly supported medical school is located in the county. Counties levying the tax must develop a plan, by ordinance, for providing health care services to “qualified” indigent or medically poor residents.

Tax proceeds must be used to fund health care services for indigent and medically poor persons, including, but not limited to, primary care, preventive care, and hospital care. Indigent persons are defined as persons certified as indigent by the authorizing county. Persons defined as medically poor are those who:

- have insufficient income, resources, and assets to provide the needed medical care without using resources required to meet basic needs for shelter, food, clothing, and personal expenses;
- are not eligible for any other state or federal program or have medical needs that are not covered by any such program; or
- have insufficient third-party insurance coverage.

Persons participating in innovative, cost-effective programs approved by the authorizing county are also included as “qualified” residents.

The Department is required to collect and remit the tax proceeds to the Clerk of Court, who must deposit the funds in an Indigent Health Care Trust Fund, invest the deposits as prescribed in general law, and disburse the funds to qualified providers of health care services.

The maximum rate for any combination of the Infrastructure Surtax, the Small County Surtax, and the Voter-Approved Indigent Care Surtax, is 1 percent, or 1.5 percent in counties with a publicly supported medical school.

Pursuant to s. 11 of ch. 2000-312, L.O.F., the Voter-Approved Indigent Care Surtax shall stand repealed on October 1, 2005, unless reenacted by the Legislature.

While 60 counties are currently authorized to levy the Voter-Approved Indigent Care Surtax, to date only two counties (Alachua and Polk) have done so.

According to the 2004 population estimates for Florida counties,¹ the following 26 counties had a population below 50,000: Baker, Bradford, Calhoun, Desoto, Dixie, Franklin, Gadsden, Gilchrist, Glades, Gulf, Hamilton, Hardee, Hendry, Holmes, Jackson, Jefferson, Lafayette, Levy, Liberty, Madison, Okeechobee, Suwannee, Taylor, Union, Wakulla, and Washington counties.

Effect of Proposed Changes

This bill authorizes the imposition and collection of a 1.0 percent indigent care sales surtax in any county which levies 8 mills or more for county operational purposes and where one mill of taxation will raise \$1 million or less, and in so doing, expands the number of counties that may levy the discretionary sales taxes at a 1 percent rate pursuant to subsection (7) of s. 212.055, F.S.

The counties that meet the requirements of the bill include Gilchrist, Calhoun, Dixie, Glades, Hamilton, Holmes, Jefferson, Lafayette, Liberty, Madison, Suwannee, Union, Washington, Bradford, Wakulla, Baker, and Taylor. The bill provides that these surtaxes may be imposed and collected upon approval by a majority vote of the electors of the county voting in a referendum.

¹ Bureau of Economic and Business Research, University of Florida (2004).

The bill provides authority to pledge the surtax proceeds to service new or existing bond indebtedness incurred to finance, plan, construct, or reconstruct a public or not-for-profit hospital. In addition, the bill authorizes the use of the surtax proceeds to acquire or improve land, or for the design or engineering costs related to such a hospital. Both of the foregoing authorities are conditioned upon a determination that the hospital existing at the time of bond issuance would, more likely than not, otherwise cease to operate.

The bill states that by an extraordinary vote, the governing body of the county may provide that some or all of the surtax revenues and earned interest must be expended for the purpose of servicing the bond indebtedness.

The bill states that such a county may use the bond issuance service of the State Board of Administration pursuant to the State Bond Act. Bond issuance is limited to no more than once per year.

The bill states that any county meeting the requirements of this bill that issues bonds, retains the bond authority throughout the life of the bonds, including any refinancing bonds, regardless of subsequent increases in taxable value.

The bill provides authority to the clerk of the circuit court, as the ex officio custodian of such funds to distribute the funds and any earned interest to service bond indebtedness pursuant to the irrevocable directive of the authorizing county given at the time of bond indebtedness.

C. SECTION DIRECTORY:

Section 1. Amends s. 212.055(7), F.S., to authorize counties which levy 8 mills or more for county operational purposes and where one mill of taxation will raise \$1 million or less, to levy an indigent care surtax up to 1.0 percent; provide the uses for the imposed surtax; provide powers to the clerk of the circuit court; and provide an optional sales surtax cap of 1.5 percent for counties which levy 8 mills or more for county operational purposes and where one mill of taxation will raise \$1 million or less

Section 2. Provides an effective date of upon becoming law.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

Indeterminate at this time. The bill does provide for the bond issuance services of the Division of Bond Finance, State Board of Administration. According to the Division, the bill will have a minimal impact on the operation of the Division.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

Indeterminate. The bill provides discretionary authority to impose and collect a 1 percent surtax in counties which levy 8 mills or more for county operational purposes and where one mill of taxation will raise \$1 million or less. Currently, 17 counties meet this criterion. Based on the Revenue Estimating Conference's estimate of the original bill, if all seventeen eligible jurisdictions enact the levy, the statewide annualized impact would be \$9.1 million.

2. Expenditures:

Unknown.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Counties imposing the surtax authorized in this bill will increase individuals' tax burden.

D. FISCAL COMMENTS:

See above.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

This bill does not require counties or municipalities to spend funds or to take any action requiring the expenditure of funds. This bill does not reduce the percentage of a state tax shared with counties or municipalities. This bill does not reduce the authority that municipalities have to raise revenue.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

There appear to be no technical drafting issues in the bill.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES

On March 29, 2005, the Committee on Finance and Tax adopted four amendments and passed the bill as a committee substitute. The purpose of these amendments was to change the qualification criteria for counties which may levy the 1 percent surtax for indigent care from counties with populations under 50,000 to counties in which one mil of taxation raises \$1 million dollars or less and where the county levied 8 mills of more in the previous tax year. The provisions of the original bill would have allowed 26 counties to levy this tax at the one percent rate. Under the committee substitute only 17 counties qualify under these provisions.