

# 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.)

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Prepared By: Community Affairs Committee

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BILL: SB 2382

INTRODUCER: Senator Dockery

SUBJECT: Local Government Infrastructure Tax

DATE: April 2, 2006

REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Vickers	Yeatman	CA	<b>Favorable</b>
2.	_____	_____	ED	_____
3.	_____	_____	GE	_____
4.	_____	_____	WM	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

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## I. Summary:

Currently, proceeds of the Local Government Infrastructure Surtax are only allowed to be spent by the local taxing authority on local infrastructure needs. This bill provides that only a minimum of 50 percent of the proceeds must be expended for local infrastructure purposes. The bill provides that up to 35 percent of the remaining proceeds may be used to reduce property taxes and up to 15 percent may be used for operational expenses. The percentage used for operational expenses may not exceed the percentage used to reduce property taxes. The bill stipulates that property taxes may not be increased for the first year or by more than 3 percent above the rollback rate during any subsequent years after a taxing authority elects to use proceeds to fund operational expenses.

This bill substantially amends section 212.055 of the Florida Statutes.

## II. Present Situation:

Section 212.054, F.S., authorizes counties to impose one or more of seven local discretionary sales surtaxes on all transactions occurring in the county which are subject to the state tax imposed on sales, use, services, rentals, and admissions. The tax rate, duration of levy, method of imposition, and use of proceeds and accrued interest are set in statute.

<b>Local Discretionary Sales Surtaxes</b>	<b>Authorized Levy (%)</b>
Charter County Transient System	Up to 1%
Local Government Infrastructure Surtax	0.5% or 1%
Small County Surtax	0.5% or 1%
Indigent Care and Trauma Center Surtax	Up to 0.5%
County Public Hospital Surtax	0.5%
School Capital Outlay Surtax	Up to 0.5%
Voter-Approved Indigent Care Surtax	0.5% or 1%

Section 212.055, F.S., provides maximum combined tax rates for the different surtaxes imposed. The Local Government Infrastructure Surtax, Small County Surtax, Indigent Care and Trauma Center Surtax, and County Public Hospital Surtax are maximized at a combined rate of 1 percent. In counties with a publicly supported medical school levying the Voter-Approved Indigent Care Surtax, the combined maximum rate is 1.5 percent. The School Capital Outlay Surtax, capped at 0.5 percent, is not included in tax rate caps.

The Local Government Infrastructure Surtax (surtax) is authorized in s. 212.055(2)(d), F.S., upon enactment of an ordinance by a majority of the members of the county governing authority and approval in a local referendum. If not provided for differently in the ordinance, the surtax may not be levied for more than 15 years. The levy may be extended by majority vote in another referendum. Currently, 21 counties levy the local infrastructure surtax.<sup>1</sup>

The referendum must include a general description of the projects to be funded by the surtax. Section 212.055(2)(d), F.S., limits the purposes for which the proceeds and any accrued interest can be used for. Proceeds and accruals cannot be used for operational expenses. Except for a limited number of exceptions for counties under certain specifications, funds are only to be used by the school district or within the county and municipalities in the county to:

- Finance, plan, and construct infrastructure.
- Acquire land for public recreation or conservation or protection of natural resources.
- Finance the closure of certain county or municipally owned solid waste landfills.
- Retire or service bond indebtedness related to prior infrastructure construction.
- Up to 15% may be used for economic development projects if specifically provided for in the referendum.

**III. Effect of Proposed Changes:**

The bill amends s. 212.055, F.S., to provide that at least 50 percent of the revenue from the Local Government Infrastructure Surtax must be used for the approved infrastructure projects. The bill

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<sup>1</sup> Charlotte, Clay, Duval, Escambia, Flagler, Glades, Highlands, Hillsborough, Indian River, Lafayette, Lake, Leon, Monroe, Osceola, Pasco, Pinellas, Putnam, Sarasota, Seminole, Taylor, and Wakulla.

authorizes taxing authorities, subject to any obligation to retire or service bonded indebtedness, to use up to 35 percent of the funds to reduce property taxes and up to 15 percent for operational expenses.

Operational expenses are not allowed to exceed the percentage used to reduce property taxes. If a taxing authority elects to use funds for operational expenses, the taxing authority can not increase property taxes above the rollback rate for the first year following the year in which funds are used for operational expenses, and can not increase property taxes more than 3 percent above the rollback rate during any subsequent years the levy is imposed.

**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:

None.

B. Private Sector Impact:

This bill could result in reduced property taxes for property owners in certain counties. The fiscal impact of the bill is indeterminate.

C. Government Sector Impact:

This bill gives local governments the option to redistribute proceeds from a current revenue source, the Local Government Infrastructure Surtax, to fund operational expenses and reduce property taxes. If this option is elected, property tax increases will be capped at 0 percent the first year and 3 percent for any subsequent year.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

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

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## **VIII. Summary of Amendments:**

None.

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