

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Lower Taxes – Because this bill provides a fiscal incentive to local governments not to raise millage rates beyond a specified amount, it should result in lower taxes levied. In addition, the majority plus one vote requirement on larger tax increases should also encourage local governments to impose lower tax rates.

B. EFFECT OF PROPOSED CHANGES:

Millage Rates and Revenue Sharing

Background:

Currently, counties and municipalities may levy any millage rate up to the maximum amount specified by law. For county purposes, municipal purposes, and school districts, the cap is 10 mills. The millage rate for water management districts is capped at 1 mill, except that it is 0.05 mills for the Northwest Florida Water Management District. The millage rate for other special districts is as established by law.² However, if the tax rate being levied is in excess of the “rolled back rate”, that is the rate which would generate the same amount of revenue, exclusive of certain changes in the tax base³, the local taxing authority must advertise a tax increase, even if the millage rate being levied is lower than the previous year’s rate.

The property tax is the single largest income source for cities and counties and it has been producing a rapidly increasing amount of revenue. In 1983 the property tax produced \$1,320,702,577 for counties and \$563,554,296 for municipalities. By 1993 the property tax produced \$3,560,560,785 for counties and \$1,399,123,949 for municipalities. These numbers reflect a 269.6% increase in county property tax revenues and a 248.3% increase in municipal property tax revenues over 10 years. In 2003 the counties raised \$6,303,699,402 from the property tax and municipalities raised \$2,525,204,276. This shows a 177.0% increase since 1993 and a 447.3% increase since 1983 in county property tax revenues. Municipal property tax revenues grew 180.5% between 1993 and 2003 and 448.1% between 1983 and 2003.

Another significant revenue source for local governments is state revenue shared with cities and counties, which primarily is funded by a half-cent of sales tax proceeds. Distributions to local governments are predicted to total \$1.7 billion in the fiscal year ending September 30, 2006. For counties the amounts received will range from \$391,253 for Lafayette County to \$119,837,298 for Orange County. Similarly the amounts distributed to cities will range from \$463 for Weeki Wachee to \$28,019,807 for Orlando.

Proposed Changes:

Under this bill any local government which levies a millage rate in excess of the rolled back rate, adjusted by the sum of the percentage change in the Consumer Price Index plus 3%, will lose its right to revenue sharing under section 218.63, F.S.

² Under Art. VII, s. 9, Fla. Const

³ As specified in section 200.065(1), F.S., the rolled-back rate is that “millage rate which, exclusive of new construction, additions in structures, deletions, increases in the value of improvements that have undergone a substantial rehabilitation which increased the assessed value of such improvements by at least 100 percent, and property added due to geographic boundary changes, will provide the same amount of ad valorem tax revenue” for the taxing authority.

The bill further provides that instructions on how to calculate the millage rate at which the loss of revenue sharing dollars would occur must be included in the information the property appraiser provides to the local government before it sets its proposed budget.

Also, the bill provides that a majority plus one vote of the local governing board is required in order to levy a millage rate which would result in the loss of revenue sharing.

TRIM NOTICE

Background:

Colloquially known as the “TRIM” notice⁴, the Notice of Proposed Property Taxes and Non-Ad Valorem Assessments provides property owners with information regarding the appraisal of their property, the exemptions they have been granted, proposed property tax levies, and notification of upcoming public meetings regarding local government budgets. In short, this notice is the primary means by which the public is informed about the property tax and how it affects them. The form of this notice is outlined in Section 200.069, F.S.

The TRIM notice was originally designed in 1980. Since then numerous changes have been made to add additional information to the notice but there has never been any formal study of how well the TRIM notice conveys the information it was intended to convey. These points were made in a 2002 interim report by the Committee on Fiscal Policy and Resources⁵ which recommended, in part, that “a usability study of the TRIM notice should be considered. Such a study could address how well the TRIM notice conveys the information it is intended to convey. Moreover, it could consider how to best deal with non-ad valorem assessments, and evaluate the effectiveness of the rolled-back rate as currently used.”

Proposed Changes:

The bill instructs the Department of Revenue to contract with the Usability Center at Florida State University to study the TRIM notice, determine if it is effectively conveying its information to taxpayers, and propose an alternative form if the TRIM notice is deemed ineffective. The bill contains a list of the information that is intended to be conveyed to the taxpayer by the TRIM notice. That list includes:

- The just value of the subject property and how that value has changed from the previous year.
- The taxable value of the subject property and how that value has changed from the previous year.
- An accounting for the differences, such as exemptions, between the just value and the taxable value.
- The identities of all taxing authorities which will be levying taxes against the subject property.
- A measure of how much changes in the taxing authorities’ budgets are responsible for changing the taxes due on the property.
- Information on where and when the property owner may provide input on said budget changes.
- Information as to how the property owner may challenge the assessment of their property.
- Information regarding tax deferral, estimated tax prepayment, and other programs intended to assist taxpayers.
- Other information that the usability study finds would assist taxpayers in better understanding the property tax system and how it affects their tax liability.

⁴ This common name came from “Truth in Millage” which was the popular name of the legislation which created this notice.

⁵ Florida House of Representatives, Committee on Fiscal Policy and Resources, Interim Report: The TRIM Notice and Process, dated October 28, 2002

The results from this study are to be presented to the Governor, the Speaker of the House of Representatives, and the President of the Senate by December 15, 2006.

The bill includes a \$50,000 appropriation from the General Revenue Fund to pay for this study.

C. SECTION DIRECTORY:

Section 1 amends Section 218.63, F.S., to specify that a local government which levies a tax rate in excess of the rolled back rate, adjusted by the sum of the percentage change in the Consumer Price Index plus 3% shall not be eligible to receive revenue sharing from the half-cent sales tax proceeds.

Section 2 amends Section 200.065, F.S., to provide that the property appraiser shall provide to local taxing authorities instructions on how to calculate the millage rate which would result in a loss of revenue sharing dollars. The section further provides that a majority plus one vote is required in order to levy a millage rate which would result in the loss of revenue sharing.

Section 3 instructs the Department of Revenue to contract with the Usability Center at Florida State University to study the TRIM notice, determine if it is effectively conveying its information to taxpayers, and propose an alternative form if the TRIM notice is deemed ineffective. The final results from this study are to be presented to the Governor, the Speaker of the House, and the President of the Senate by December 15, 2006.

Section 4 contains an appropriation of \$50,000 from the General Revenue Fund for the purpose of paying for the usability study.

Section 5 provides that the bill shall take effect upon becoming law.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None

2. Expenditures:

This bill appropriates \$50,000 from the General Revenue Fund to the Department of Revenue to pay for a study.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

Local Governments which raise their millage rates in excess of the limits prescribed in this bill will lose revenue sharing funds from the half cent sales tax under section 218.63, F.S.

2. Expenditures:

None

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None

D. FISCAL COMMENTS:

None

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

This bill does not require cities or counties to spend funds or take actions requiring the expenditure of funds. However, because it does impose a majority plus one vote requirement on raising millage rates beyond a certain amount, it could be construed as reducing the authority that cities or counties have to raise revenues in the aggregate. As such, it is recommended that this bill be approved by a two-thirds vote in each chamber.

2. Other:

None

B. RULE-MAKING AUTHORITY:

None

C. DRAFTING ISSUES OR OTHER COMMENTS:

None

IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES

None