

**The Florida Senate**  
**PROFESSIONAL STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT**

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

Prepared By: Community Affairs Committee

BILL: CS/SB 2684

INTRODUCER: Community Affairs Committee and Senator Aronberg

SUBJECT: State Excise Tax on Casualty Insurance Premiums

DATE: March 29, 2007

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

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Herrin	Yeatman	CA	<b>Fav/CS</b>
2.			GO	
3.			FT	
4.			GA	
5.				
6.				

**I. Summary:**

The committee substitute (CS) authorizes a municipality to receive a neighboring municipality's state premium tax moneys provided there is an interlocal agreement in place to provide police protection services to the neighboring municipality.

This CS amends sections 185.03 and 185.08 of the Florida Statutes.

**II. Present Situation:**

Chapter 185, F.S., provides funding for municipal police officers' pension plans. It provides for a "uniform retirement system" with defined benefit retirement plans for municipal police officers and sets standards for the operation and funding of these pension systems. Under s. 185.08, F.S., each municipality with a municipal police officers' trust fund is authorized to assess an excise tax of .85 percent of the gross amount of receipts of premiums from policyholders on all premiums collected on property insurance policies covering property within its corporate limits. Revenues from this excise tax are one of the funding sources for police officers' pension plans. Currently, a municipality is eligible to receive state premium taxes (or excise taxes) only on those premiums sold to cover property within its municipal limits even if providing police protection services outside of its municipal limits.

In order to qualify for the premium taxes, a police officers' pension plan must meet certain requirements in ch. 185, F.S. The Division of Retirement (division) in the Department of Management Services oversees and monitors these pension plans; however, day-to-day operational control rests with local boards of trustees. Premium taxes paid by an insurance

company under ch. 185, F.S., are allowed as a credit against premium taxes the insurance company must pay to the state under s. 624.509, F.S.

### **III. Effect of Proposed Changes:**

This CS amends s. 185.03, F.S., to allow a municipality to receive a neighboring municipality's state premium tax moneys if there is an interlocal agreement in place to provide police protection services to the neighboring municipality for a period of 12 months or more. The municipality providing the police protection services must notify the division that it has entered into the interlocal agreement. The municipality receiving the police protection services is authorized to enact an ordinance levying the excise tax (state premium tax). Upon receipt of a copy of the ordinance and the interlocal agreement, the division is authorized to distribute premium taxes reported for the municipality receiving the police protection services to the municipality providing those services.

The CS also amends s. 185.08, F.S., to make conforming changes.

The CS takes effect 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:**

None.

#### **B. Private Sector Impact:**

None.

#### **C. Government Sector Impact:**

This CS will have a negative impact on the General Revenue Funds because state premium taxes paid by a casualty insurer to fund a municipal police officers' retirement plan are counted as a credit against the premium taxes paid to the state by the insurance

company. It is unknown how many municipalities are affected by this CS. The amount of this fiscal impact is indeterminate, but likely minimal.

Under this CS, an eligible police officers' pension plan sponsored by a municipality providing police protection services pursuant to an interlocal agreement will benefit from the receipt of premium tax revenues reported for the municipality receiving police protection services.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

In 2005, the Legislature made similar changes to ch. 175, F.S., relating to the Firefighters' Pension Trust Fund. Sections 175.041 and 175.101, F.S., allow a municipality to receive excise tax monies for firefighter pension plans from another municipality if there is an interlocal agreement in place to provide fire protection services.



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

None.

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This Senate Professional Staff Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.

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