

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Ensure lower taxes -- The bill provides that a municipality receiving police protection services from another municipality may levy the insurance premium tax authorized by ch. 185, F.S. Since the local tax is credited against the state insurance premium tax, an individual taxpayer will not experience an overall tax increase.

B. EFFECT OF PROPOSED CHANGES:

Chapter 185, F.S., provides funding for municipal police officers' pension plans. This chapter sets up a "uniform retirement system" providing defined benefit retirement plans for municipal police officers and setting standards for the operation and funding of these pension systems.

Section 185.08, F.S., authorizes each municipality with a municipal police officers' retirement trust fund to assess an excise tax of .85 percent of the gross amount of receipts of premiums for policyholders on all premiums collected on property insurance policies covering property within its corporate limits. Revenues from the excise tax are used to fund the retirement plans.

To qualify for premium tax dollars, plans must meet certain requirements found in ch. 185, F.S. Responsibility for overseeing and monitoring these plans is assigned to the Division of Retirement (Division) of the Department of Management Services (DMS), but day-to-day operational control rests with local boards of trustees.

Premium taxes paid by an insurance company pursuant to ch. 185, F.S., are allowed as a credit against the premium taxes paid to the state by the insurance company pursuant to s. 624.509, F.S.

The bill provides that a municipality may receive another municipality's premium tax revenues when there is an interlocal agreement in place to provide police protection services. Any municipality not otherwise eligible to participate under Chapter 185 may assess and impose the insurance premium tax on casualty insurers through an interlocal agreement with another incorporated municipality that agrees to provide police protection services to the otherwise ineligible municipality. In order to be eligible for such premium taxes, the municipality providing the police services must provide the Division with a copy of the interlocal agreement and the municipality receiving the police services must provide a copy of the ordinance levying the 0.85% premium tax. As long as the interlocal agreement remains in place, the municipality providing the police protection services shall be eligible for distribution of the premium tax moneys reported for the municipality receiving the police protection services.

C. SECTION DIRECTORY:

Section 1: Amends s. 185.08, F.S. authorizing certain municipalities to assess and impose insurance premium tax to receive certain police protection services.

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

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

The bill has not been reviewed by the Revenue Estimating Conference. The provisions of this bill will have a negative impact on the General Revenue Fund since premium taxes paid by an insurance company to fund the municipal police officers' retirement trust fund are allowed as a credit against the premium taxes paid to the state by the insurance company.

2. Expenditures:
None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:
Municipalities providing police protection service to other municipalities will receive an indeterminate amount of additional revenues to fund police officer pension plans.
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:

The mandates provision does not apply because this bill does not reduce the ability of cities or counties to raise revenues, does not require a city or county to spend funds, and does not reduce the percentage of a state tax shared with cities or counties.

2. Other:
None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

In 2005 the Legislature made similar changes to Chapter 175 -- Firefighters' Pension Trust Fund. Section 2 of Chapter 2005-205, Law of Florida, allows a municipality to receive the insurance premium tax for firefighter pension plans from another municipality when there is an interlocal agreement in place to provide fire protection services.

D. STATEMENT OF THE SPONSOR

This legislation will allow each town that receives police services to contribute to police pensions.

Currently, each municipality that has its own police department can collect .85% of casualty insurance premiums to partially fund police retirement pensions. However, small towns that contract with another town or county for police services cannot collect their share to contribute to police pensions, placing a larger tax burden on the taxpayers of the town or county that provides the police services. This bill corrects the inequity.

IV. AMENDMENTS/COUNCIL SUBSTITUTE CHANGES

None.