The Florida Senate

BILL ANALYSIS AND FISCAL IMPACT STATEMENT

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

Prepared By: The Professional Staff of the Governmental Operations Committee

BILL:	SB 330
INTRODUCER:	Senator Aronberg
SUBJECT:	State Excise Tax on Casualty Insurance Premiums
DATE:	April 11, 2008 REVISED:

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Herrin	Yeatman	CA	**Favorable**
2.	Wilson	Wilson	GO	**Favorable**
3.			FT	
4.			GA	
5.				
6.				

I. Summary:

The bill authorizes a municipality to receive another municipality's state premium tax (excise tax) moneys if there is an interlocal agreement in place regarding the provision of police protection services. The municipality receiving the police protection services may enact an ordinance levying an excise tax on casualty insurance premiums covering property within its corporate limits. Upon receipt of a copy of the ordinance and the interlocal agreement, the Division of Retirement of the Department of Management Services (DMS) may distribute the excise taxes collected by the municipality receiving police protection services to the municipality that provided the services during the term of the interlocal agreement.

This bill 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' retirement trust fund is authorized to assess an excise tax of .85 percent of the gross amount of receipts of premiums from policyholders on casualty 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 for casualty insurance policies covering 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 DMS oversees and monitors these pension plans; however, day-to-day operational control rests with local boards of trustees. Any premium taxes collected by and distributed to a municipality for funding police officers' pension plans have a negative impact on the General Revenue Fund because those premium taxes paid by an insurance company under ch. 185, F.S., to a municipality 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 bill amends s. 185.03, F.S., to allow a municipality to receive another municipality's state premium tax moneys if there is an interlocal agreement in place to provide police protection services for a period of 12 months or more. A municipality receiving police protection services from another municipality is authorized to enact an ordinance levying an excise tax as provided in s. 185.08, F.S. The municipality providing the police protection services must notify DMS that it has entered into the interlocal agreement. Upon receipt of a copy of the ordinance and the interlocal agreement, DMS is authorized to distribute premium taxes reported for the municipality receiving the police protection services to the municipality providing those services.

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

The bill 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. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

The levy of a premium tax on casualty insurers to fund a municipal police officers' retirement plan under ch. 185, F.S., is not an additional tax because the insurance company receives a credit against the premium taxes it pays to the state.

C. Government Sector Impact:

Currently, revenues from the premium taxes paid by an insurance company on casualty policies outside municipal limits or within a non-participating municipality remain in the General Revenue Fund. This bill will have a negative impact on the General Revenue Fund by allowing additional municipalities to receive a share of premium tax revenues to fund their municipal police officers' pension plan. It is unknown how many municipalities are affected by this bill and, therefore, the fiscal impact is indeterminate, but likely minimal.

Under this bill, 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 collected by 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. Additional Information:

A. Committee Substitute – Statement of Substantial Changes:

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

B. Amendments:

None.