

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 657 Discretionary Sales Surtaxes

SPONSOR(S): Weinstein and others

TIED BILLS: **IDEN./SIM. BILLS:**

	REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1)	<u>Military & Local Affairs Policy Committee</u>	<u></u>	<u>Fudge</u>	<u>Hoagland</u>
2)	<u>Health Care Services Policy Committee</u>	<u></u>	<u></u>	<u></u>
3)	<u>Economic Development & Community Affairs Policy Council</u>	<u></u>	<u></u>	<u></u>
4)	<u>Finance & Tax Council</u>	<u></u>	<u></u>	<u></u>
5)	<u></u>	<u></u>	<u></u>	<u></u>

SUMMARY ANALYSIS

Current law authorizes certain counties with a total population of at least 800,000 to levy an Indigent Care and Trauma Center surtax not to exceed 0.5 percent. However, counties consolidated with one or more municipalities (Duval County) and counties authorized to levy a county public hospital surtax (Miami-Dade County) are not authorized to levy the Indigent Care and Trauma Center surtax. The proceeds of the surtax must be used to fund health care services, including but not limited to, primary care, preventative care, and hospital care for indigent and medically needy poor persons, as well as Level I trauma center services.

The bill amends Indigent Care and Trauma Center surtax by removing a restriction and thereby allowing counties with consolidated governments to levy the surtax.

HOUSE PRINCIPLES

Members are encouraged to evaluate proposed legislation in light of the following guiding principles of the House of Representatives

- Balance the state budget.
- Create a legal and regulatory environment that fosters economic growth and job creation.
- Lower the tax burden on families and businesses.
- Reverse or restrain the growth of government.
- Promote public safety.
- Promote educational accountability, excellence, and choice.
- Foster respect for the family and for innocent human life.
- Protect Florida's natural beauty.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Current Situation

Article VII, section 9 of the Florida Constitution generally limits the annual millage rates that may be levied by counties and municipalities to 10 mills (or 1 percent) of ad valorem tax on the taxable value of property within their jurisdiction.¹

Section 212.055, F.S., allows counties to levy seven different types of local discretionary sales surtaxes (also referred to as "local option taxes"). These surtaxes apply to all transactions subject to the state tax imposed on sales, use, services, rentals, admissions, and other authorized transactions pursuant to ch. 212, F.S., and communications services as defined for purposes of ch. 202, F.S.²

Local Discretionary Sales Surtaxes³

The local discretionary sales surtax rate varies from county to county, depending on the levies authorized within each jurisdiction. Discretionary sales surtaxes must be collected when the transaction occurs in, or when delivery is into, a county that imposes the surtax, and the sale is subject to the state's sales and use tax.

The seven local discretionary sales surtaxes are as follows:

- Charter County Transit System;
- Local Government Infrastructure;
- Small County;
- Indigent Care and Trauma Center;

¹ A rate of one mill may be expressed as follows: 1 mill = 0.1 cent or \$0.001; \$1 per \$1,000; or 0.1%.

² Section 212.054(2), F.S.

³ Most of the information in this section is from the "2008 Local Government Financial Information Handbook," prepared by the Legislative Committee on Intergovernmental Relations, September 2008, pp. 153-173.

- County Public Hospital;
- School Capital Outlay; and
- Voter-Approved Indigent Care.

Not all counties are eligible to impose each of these seven surtaxes. Also, while the array of levies for discretionary sales surtaxes varies from county to county, the maximum potential county levy rate for these surtaxes is currently 2 percent, which currently applies to seven charter counties in Florida.⁴

The following table summarizes the seven current local discretionary surtaxes, along with other relevant information about their associated levies:

<u>Local Discretionary Tax</u>	<u>Authorized Rate of Maximum Levy</u>	<u>Number of Counties Authorized</u>	<u>Number of Counties Levying</u>
Charter County Transit System	Up to 1 percent (for charter counties only)	7	2
Local Government Infrastructure	0.5 percent <u>or</u> 1 percent	67	20
Small County	0.5 percent <u>or</u> 1 percent	31	28
Indigent Care and Trauma Center	Up to 0.5 percent	65	1
County Public Hospital	0.5 percent	1	1
School Capital Outlay	Up to 0.5 percent	67	15
Voter-Approved Indigent Care	Up to 0.5 percent <u>or</u> up to 1 percent	60	3

Indigent Care and Trauma Center Surtax

Section 212.055(4)(a), F.S., authorizes certain counties with a total population of at least 800,000 to levy an Indigent Care and Trauma Center surtax not to exceed 0.5 percent. However, counties consolidated with one or more municipalities (Duval County) and counties authorized to levy a county public hospital surtax (Miami-Dade County) are not authorized to levy the Indigent Care and Trauma Center surtax. The proceeds of the surtax must be used to fund health care services, including but not limited to, primary care, preventative care, and hospital care for indigent and medically needy poor⁵

⁴ Section 212.055, F.S., provides that the charter counties eligible to levy the Charter County Transit System Surtax are those counties that adopted a charter prior to January 1, 1984, and those that are consolidated with one or more municipalities. The seven counties that meet these requirements are as follows: Broward, Duval, Hillsborough, Miami-Dade, Pinellas, Sarasota, and Volusia. The 13 charter counties not eligible to levy this tax are as follows: Alachua, Brevard, Charlotte, Clay, Columbia, Lee, Leon, Orange, Osceola, Palm Beach, Polk, Seminole, and Wakulla.

⁵ Medically needy poor are persons having “insufficient income, resources, and assets to provide the needed medical care without using resources required to meet basic needs for shelter, food, clothing, and personal expenses; or not being eligible for any other state or federal program, or having medical needs that are not covered by any such program; or having insufficient third-party insurance coverage.” Section 212.055(4)(a)4.b., F.S.

persons, as well as Level I trauma center services.⁶ This tax is imposed by ordinance approved by an extraordinary vote of the governing body or conditioned upon approval by referendum.⁷

Section 212.055(4)(b), F.S., provides that notwithstanding any other provision of s. 212.055(4), F.S., certain counties with a total population of less than 800,000 are authorized to levy the Indigent Care and Trauma Center Surtax at a rate not to exceed 0.25 percent. However, counties consolidated with one or more municipalities (Duval County) are not authorized to levy the surtax. The proceeds are used to fund trauma services provided by a Florida licensed trauma center.⁸ The surtax may be enacted by an ordinance subject to referendum and expires four years after the effective date of the surtax unless reenacted by ordinance subject to a subsequent referendum.⁹

Effect of Proposed Changes

The bill amends the Indigent Care and Trauma Center surtax by deleting the prohibition on counties that are consolidated with one or more municipalities (Duval County) from levying the surtax.

B. SECTION DIRECTORY:

Section 1: Amends ss. 212.055(4)(a) and (b), F.S., by removing the restriction on counties that are consolidated with one or municipalities from levying the surtax.

Section 2: Provides an effective date of July 1, 2009.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

The 2008 Florida Tax Handbook indicates that a 1 cent local option sales tax generates \$163,182,000 for fiscal year 2008-09 in Duval County. If Duval County levied a 0.5 Indigent Care and Trauma Center surtax in fiscal year 2008-09 it would generate \$81,591,000.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

⁶ Section 212.055(4)(a)3., F.S.

⁷ Section 212.055(4)(a)1., F.S.

⁸ Section 212.055(4)(b), F.S.

⁹ Section 212.055(4)(b)4., F.S.

If a county with a population of at least 800,000 residents and that is consolidated with one or more municipalities imposes the surtax, consumers in the county will pay up to an additional 0.5 percent sales surtax on taxable purchases.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not applicable because this bill does not appear to: require cities or counties to spend funds or take an action requiring expenditure of funds; reduce the authority that cities or counties have to raise revenues in the aggregate; or 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:

None.

IV. AMENDMENTS/COUNCIL OR COMMITTEE SUBSTITUTE CHANGES