

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 Committee on Appropriations

BILL: SPB 7132

INTRODUCER: For consideration by the Appropriations Committee

SUBJECT: Taxation

DATE: March 28, 2013

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Cote/Fournier	Hansen		Submitted as committee bill
2.				
3.				
4.				
5.				
6.				

I. Summary:

SPB 7132 reduces the annual fees paid to register a motor vehicle. The reduction in fees results in a \$12 annual decrease in the amount paid to register a motor vehicle.

The bill also deletes a tax credit that insurance companies can take against their premium tax liability of up to 15 percent of salaries paid to employees located or based within Florida.

The Revenue Estimating Conference has not considered the fiscal impact of this bill. Staff estimates that the reduced motor vehicle fees will decrease revenues to the General Revenue Fund by approximately \$225 million on a recurring basis. The repeal of the insurance premium tax credit is expected to increase revenues to the General Revenue Fund by at least \$220 million on a recurring basis.

The sections of this bill relating to fees for motor vehicle registrations are effective September 1, 2013. The sections of this bill relating to the tax credit for insurance companies are effective upon becoming law and apply to the 2013 insurance premium tax year.

This bill substantially amends the following sections of the Florida Statutes: 320.04, 320.06, 320.0804, 320.08046, 624.509, 624.5091, and 624.51055.

II. Present Situation:

Motor Vehicle Registration Fees

In 2009, the Legislature increased fees for annual motor vehicle registrations, along with other fees related to the issuance of driver's licenses, identification cards, driver's license reinstatements, motor vehicle titles, and driver's records. The revenues received from the increased fees were deposited into the General Revenue Fund.

Section 320.04(1)(a), F.S., provides for a service charge of \$5.00 for each application of an original issuance, duplicate issuance or transfer of any license plate, mobile home sticker or validation sticker, including the transfer or duplicate issuance of any registration certification. Of the \$5.00 fee, \$2.50 is deposited into the General Revenue Fund, with the remainder retained by the Department of Highway Safety and Motor Vehicles (department) or the tax collector.

Section 320.04(1)(b), F.S., provides for a service charge of \$3.00 for the issuance of each license plate validation sticker, vessel decal, or mobile home sticker issued from an automated vending facility or a printer dispenser machine. The fee is payable to the department, of which \$1.00 is used to provide for the machines and \$2.00 is deposited into the General Revenue Fund.

Section 320.06(3)(b) provides for a \$1.50 fee on each motor vehicle registration or renewal registration issued in order to treat all license plate validation stickers with retroflective material. Of the \$1.50 fee, \$1.00 is deposited into the General Revenue Fund and 50 cents is deposited into the Highway Safety Operating Trust Fund.

Section 320.0804, F.S., provides for a \$4.00 surcharge on each annual license tax imposed under s. 320.08, F.S.,¹ of which \$2.00 is deposited into the General Revenue Fund and \$2.00 is deposited into the State Transportation Trust Fund.

Section 320.08046, F.S., provides for a \$5.50 surcharge on each annual license tax imposed under s. 320.08, F.S., of which \$4.50 is deposited into the General Revenue Fund and \$1.00 is deposited into the Grants and Donations Trust Fund in the Department of Juvenile Justice.

Insurance Premium Tax – Salary Credit

Florida imposes a tax of 1.75 percent on most Florida insurance premiums. (Other tax rates apply to wet marine and transportation insurance, self-insurance, and annuity premiums.) Several credits are provided that can be used by insurance companies to reduce their premium tax liability.²

¹ The annual license tax imposed under s. 320.08, F.S. is paid upon the registration or renewal of motor vehicles, mopeds, motorized bikes, tri-vehicles and mobile homes.

² Credit for payments to the Municipal Firefighters' Pension Fund (s. 175.141, F.S.) and Municipal Police Officers' Retirement Fund (s. 185.12, F.S.); Corporate Income Tax Credit (s. 624.509(4), F.S.); Florida Employees' Salary Credit (s. 624.509(5), F.S.); New Markets Tax Credit (s. 288.9916, F.S.); Capital Investment Tax Credit (s. 220.191, F.S.); Community Contribution Tax Credit (s. 624.5105, F.S.); Child Care Tax Credit (s. 624.5107, F.S.); Credit for Contributions to Scholarship-Funding Organizations (s. 624.51055, F.S.); Credit for Workers' Compensation Assessments (440.51, F.S.); and Credit for Florida Life and Health Insurance Guaranty Association Assessments (s. 631.72, F.S.).

The Florida employees' salary credit is equal to 15 percent of salaries paid to employees located or based within this state, and does not include amounts paid as commissions. For purposes of this credit, "employees" does not include independent contractors or any person whose duties require that the person hold a valid license under the Florida Insurance Code, except adjustors, managing general agents, and service representatives.

Until 1987, Florida exempted insurance companies that maintained their home offices in Florida from the insurance premium tax, and provided a lower tax rate for out-of-state insurance companies doing business in Florida if they owned and substantially occupied any building in the state as a regional home office. Chapter 87-99, L.O.F., repealed these differential rates and provided a credit equal to 10 percent of the salaries of Florida employees. One year later, chapter 88-20, L.O.F., increased the salary credit to 15 percent.

The maximum credit that can be taken is equal to the lesser of total premium tax due after subtracting credits for taxes levied for police retirement funds and firefighters' pension funds and corporate income taxes paid or 15 percent of eligible Florida salaries. This amount is further limited by the requirement that the sum of the salary credit and the credit for corporate income taxes paid may not exceed 65 percent of the total premium tax due after subtracting credits for taxes levied for police retirement funds and firefighters' pension funds and workers' compensation assessment credits.

Credits and deductions against the insurance premium tax must be taken in the following order prescribed in s. 624.509(7), F.S.: Workers' Compensation Administrative Assessment credits, credits for taxes paid into firefighters' pension funds and police retirement funds, credits for corporate income taxes, credits for employees' salaries, and all other available credits and deductions.

Because of the types of credits that are available, the order in which they must be taken, and the limits place on some credits, an insurance company's ability to take full advantage of the statutory credits depends on the type of insurance it sells. In the 2011 insurance premium tax year, the total available salary credits were \$320.5 million. However, because of the 65 percent limitation on combined salary and corporate income tax credits, total salary credits taken were \$219.8 million. The current insurance premium tax forecast assumes salary credits taken for the 2012 insurance premium tax year will equal \$230.1 million.

III. Effect of Proposed Changes:

Section 1 amends s. 320.04, F.S., to decrease from \$5.00 to \$2.50 a service charge imposed on each application of an original issuance, duplicate issuance or transfer of any license plate, mobile home sticker or validation sticker, including the transfer or duplicate issuance of any registration certification.

This section also decreases from \$3.00 to \$1.00 a service charge imposed on the issuance of a registration receipt for a vehicle, vessel or mobile home registration and specifies that fee be payable to and retained by the department. (The proposed decrease lowers the fee to the amount of the fee prior to the 2009 increase in motor vehicle fees.)

Section 2 amends 320.06(3)(b), F.S. to decrease from \$1.50 to 50 cents a fee imposed on each motor vehicle registration issued in order to treat all license plates and validation stickers with retroflective material. The revenues will be deposited into the Highway Safety Operating Trust Fund. (The proposed decrease lowers the fee to the amount of the fee prior to the 2009 increase in motor vehicle fees.)

Section 3 amends 320.0804, F.S., to decrease the surcharge on each license tax imposed under s. 320.08, F.S.,³ excluding mobile home registrations. The surcharge is decreased from \$4.00 to \$2.00 and provides for the revenues to be deposited into the State Transportation Trust Fund. (The proposed decrease lowers the fee to the amount of the fee prior to the 2009 increase in motor vehicle fees.)

Section 4 amends 320.08046, F.S., to decrease the surcharge on each license tax imposed under s. 320.08, F.S., excluding mobile home registrations. The surcharge is decreased from \$5.50 to \$1.00 and provides for the revenues to be deposited into the Grants and Donations Trust Fund in the Department of Juvenile Justice. (The proposed decrease lowers the fee to the amount of the fee prior to the 2009 increase in motor vehicle fees.)

Sections 5 reenacts s. 320.0807, F.S. to incorporate changes made to s. 320.06, F.S.

Section 6 amends s. 624.509, F.S., to delete the insurance premium tax credit for Florida employees' salaries, effective January 1, 2013.

Section 7 amends s.624.5091, F.S., to make changes conforming to the repeal of the insurance premium tax credit.

Section 8 amends 624.51055, F.S., to make changes conforming to the repeal of the insurance premium tax credit.

Section 9 provides that sections 1 through 5 (motor vehicle registration fees) are effective September 1, 2013 and sections 6 through 8 (insurance premium tax credit) are effective upon becoming law and apply to the 2013 insurance premium tax year.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

³ The annual license tax imposed under s. 320.08, F.S. is paid upon the registration or renewal of motor vehicles, mopeds, motorized bikes, tri-vehicles and mobile homes.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

This bill decreases the following fees for vehicle registration to the amount of the fee prior to September 1, 2009:

<u>Vehicle Registration Fees</u>	<u>Current Fee</u>	<u>New Fee</u>
Registration Service Charge	\$5.00	\$2.50
Validation Sticker Service Charge	\$3.00	\$1.00
Retro-reflective Tag Sticker	\$1.50	\$0.50
License Tax Surcharge (STTF)	\$4.00	\$2.00
License Tax Surcharge (DJJ)	\$5.50	\$1.00

The reduction in motor vehicle registration fees results in a \$12 annual decrease in the amount paid to register a motor vehicle. The Revenue Estimating Conference has not yet determined the impact from reducing motor vehicle registration fees. Staff estimates the reduced fees will decrease General Revenue by approximately \$225 million on a recurring basis.

The repeal of the insurance premium tax credit is expected to increase General Revenue by at least \$220 million on a recurring basis.

B. Private Sector Impact:

Private motor vehicle owners will be assessed lower fees when making purchases related to motor vehicle registrations.

This bill is expected to increase the insurance premium tax liability of insurance companies doing business in Florida by at least \$220 million on a recurring basis.

C. Government Sector Impact:

The fee reductions in this bill will require programming changes to the Department of Highway Safety and Motor Vehicle’s financial management system. The department should be able to absorb the workload within existing resources.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

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.

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