

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 1159 CS

State Excise Tax on Property Insurance Premiums

SPONSOR(S): Bogdanoff

TIED BILLS:

IDEN./SIM. BILLS: CS/SB 1624

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Finance & Tax Committee	9 Y, 0 N, w/CS	Diez-Arguelles	Diez-Arguelles
2) Local Government Council	8 Y, 0 N	Nelson	Hamby
3) Fiscal Council	16 Y, 0 N	Diez-Arguelles	Kelly
4) _____	_____	_____	_____
5) _____	_____	_____	_____

SUMMARY ANALYSIS

The bill provides that a municipality may receive another municipality's premium tax revenues when there is an interlocal agreement in place to provide fire protection services.

The municipality receiving fire services must levy the tax authorized by ch. 175, F.S., and copies of the interlocal agreement and the municipal ordinance levying the tax must be provided to the Division of Retirement.

The provisions of this bill will have an indeterminate negative impact on the General Revenue Fund.

The bill has an effective date of October 1, 2005

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

The provisions of this bill do not appear to implicate any of the House Principles.

B. EFFECT OF PROPOSED CHANGES:

Current Situation

Chapter 175, F.S., provides funding for municipal and special district firefighters' pension plans. This chapter was originally enacted to provide an incentive—access to premium tax revenues—to Florida cities to encourage them to establish retirement plans for firefighters. Special fire control districts became eligible to participate in the program in 1993. This chapter sets up a “uniform retirement system” providing defined benefit retirement plans for firefighters and setting standards for the operation and funding of these pension systems.

Section 175.101, F.S., authorizes each municipality or special fire control district with a Firefighters' Pension Trust Fund to assess an excise tax of 1.85 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. 175, F.S. Responsibility for overseeing and monitoring these plans is assigned to the Division of Retirement of the Department of Management Services (DMS), but day-to-day operational control rests with local boards of trustees. Most Florida firefighters participate in these plans. Statewide, approximately 175 cities have pension plans for firefighters that are subject to ch. 175, F.S.

Premium taxes paid by an insurance company pursuant to ch. 175, 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.

Proposed Changes

The bill provides that a municipality may receive another municipality's premium tax revenues when there is an interlocal agreement in place to provide fire protection services.

The municipality receiving fire services must levy the tax authorized by ch. 175, F.S., and copies of the interlocal agreement and the municipal ordinance levying the tax must be provided to the Division of Retirement.

The bill has an effective date of October 1, 2005.

C. SECTION DIRECTORY:

Section 1: Amends s. 175.041, F.S.

Section 2: Amends s. 175.101, F.S.

Section 3: Provides an effective date.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

Since taxes imposed pursuant to ch. 175., F.S., are credited against premium taxes paid to the state, the provisions of this bill will have an indeterminate negative impact on the General Revenue Fund. The provisions of this bill have not been reviewed by the Revenue Estimating Conference.

2. Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

Municipalities providing fire service to other municipalities will receive an indeterminate amount of additional revenues to fund firefighter 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:

None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES

On April 12, 2005, the Finance and Tax Committee adopted an amendment granting authority for a municipality to receive the premium taxes levied by another municipality. The original bill granted a

municipality authority to impose a premium tax on persons in another municipality. This analysis reflects the provisions of the amendment.