

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 823

Local Government Infrastructure Surtax

SPONSOR(S): Altman

TIED BILLS:

IDEN./SIM. BILLS: SB 2382

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Local Government Council		DiVagno	Hamby
2) Finance & Tax Committee			
3) Fiscal Council			
4) _____			
5) _____			

SUMMARY ANALYSIS

Counties have authority to impose a limited number of discretionary sales surtaxes. To impose any of the surtaxes requires either a favorable referendum vote or, for some, an extraordinary vote of the governing body. The Local Government Infrastructure Surtax is one of the discretionary sales surtaxes.

With limited exceptions, all proceeds of the Local Government Infrastructure Surtax, and any interest accrued, are only allowed to be spent by the school district or within the county and municipalities in the county on local infrastructure needs. This bill requires that only a minimum of 50% of the proceeds or accruals be expended for local infrastructure purposes. The bill provides that up to 35% of the remaining proceeds and accruals may be used to reduce property taxes and up to 15% may be used for operational expenses. The percentage used for operational expenses may not exceed the percentage used to reduce property taxes.

The bill provides that property taxes may not be increased for the first year or by more than 3% above the rollback rate during any subsequent years after a taxing authority elects to use proceeds to fund operational expenses.

This bill would take effect July 1, 2006.

The bill does not appear to have a fiscal impact on state government. The bill has no required fiscal impact on local governments.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Ensure lower taxes- This bill allows 35% of the proceeds and interest of the Local Government Infrastructure Surtax (surtax) to be used to reduce property taxes. The bill also allows up to 15% of such proceeds to be used for operational expenses. The bill prevents property taxes from increasing the first year after proceeds and interest of the surtax are used to fund operational expenses. After the first year, the increase is limited to 3% over the rollback rate for any subsequent years under the levy.

B. EFFECT OF PROPOSED CHANGES:

Background

Section 212.055, F.S., authorizes counties to impose one or more of seven local discretionary sales surtaxes on all transactions occurring in the county which are subject to the state tax imposed on sales, use, services, rentals, and admissions.¹ The tax rate, duration of levy, method of imposition, and use of proceeds and accrued interest are set in statute and summarized below:

Local Discretionary Sales Surtaxes:	Authorized Levy (%):
Charter County Transient System	Up to 1%
Local Government Infrastructure Surtax	0.5% or 1%
Small County Surtax	0.5% or 1%
Indigent Care and Trauma Center Surtax	Up to 0.5%
County Public Hospital Surtax	0.5%
School Capital Outlay Surtax	Up to 0.5%
Voter-Approved Indigent Care Surtax	0.5% or 1%

Section 212.055, F.S., provides maximum combined tax rates for the different surtaxes imposed. The Local Government Infrastructure Surtax, Small County Surtax, Indigent Care and Trauma Center Surtax, and County Public Hospital Surtax are maximized at a combined rate of 1%. In counties with a publicly supported medical school levying the Voter-Approved Indigent Care Surtax, the combined maximum rate is 1.5%. The School Capital Outlay Surtax, capped at 0.5%, is not included in tax rate caps.

The Local Government Infrastructure Surtax (surtax) is authorized in s. 212.055(2)(d), F.S., upon enactment of an ordinance by a majority of the members of the county governing authority and approval in a local referendum. If not provided for differently in the ordinance, the surtax may not be levied for more than 15 years. They levy may be extended by majority vote in another referendum.

The referendum must include a general description of the projects to be funded by the surtax. Section 212.055(2)(d), F.S., limits the purposes for which the proceeds and any accrued interest can be used for. Proceeds and accruals can not be used for operational expenses. Except for a limited number of exceptions for counties under certain specifications, funds are only to be used by the school district or within the county and municipalities in the county to:

- Finance, plan, and construct infrastructure.
- Acquire land for public recreation or conservation or protection of natural resources.
- Finance the closure of certain county or municipally owned solid waste landfills.
- Retire or service bond indebtedness related to prior infrastructure construction.

¹ Section 212.054, F.S.

- Up to 15% may be used for economic development projects if specifically provided for in the referendum

Effect of Bill

Subject to any obligation to retire or service bonded indebtedness, this bill requires that only a minimum of 50% of the funds from the Local Government Infrastructure Surtax be used for the approved projects. It then provides that up to 35% of the funds may be used to reduce property taxes and up to 15% may be used for operational expenses. Operational expenses are not allowed to exceed the percentage used to reduce property taxes. If a county decides to use funds for operational expenses, the taxing authority can not increase property taxes above the rollback rate for the first year following the year in which funds are used for operational expenses, and can not increase property taxes more than 3% above the rollback rate during any subsequent years the levy is imposed.

C. SECTION DIRECTORY:

Section 1: Renumbers and amends section (d) to create a subsection (d)(2).

Section 2: Provides an effective date of July 1, 2006.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

This bill affects the Department of Revenue in its oversight capacity for taxes imposed by a county.²

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

This bill gives local governments the option to redistribute proceeds from a current revenue source, the Local Government Infrastructure Surtax, to fund operational expenses and reduce property taxes. If this option is elected, property tax increases will be capped at 0% the first year and 3% for any subsequent year.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

This bill could reduce property taxes.

D. FISCAL COMMENTS:

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

² Department of Revenue: Bill Analysis (HB 823).
STORAGE NAME: h0823.LGC.doc
DATE: 3/2/2006

1. Applicability of Municipality/County Mandates Provision:

Not applicable because this bill does not appear to: require the counties or cities to spend funds or take an action requiring the 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/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES

None.