

The Florida Senate
COMMITTEE MEETING EXPANDED AGENDA
BUDGET SUBCOMMITTEE ON FINANCE AND TAX
Senator Bogdanoff, Chair
Senator Altman, Vice Chair

MEETING DATE: Wednesday, January 12, 2011
TIME: 10:45 a.m.—12:45 p.m.
PLACE: 301 Senate Office Building

MEMBERS: Senator Bogdanoff, Chair; Senator Altman, Vice Chair; Senators Alexander, Gardiner, Margolis, Norman, and Sachs

TAB	BILL NO. and INTRODUCER	BILL DESCRIPTION and SENATE COMMITTEE ACTIONS	COMMITTEE ACTION
1	Issue Brief 2011-218 (Tobacco Settlement and Non-Participating Manufacturers Issue Description and Background) Presentation		
2	Interim Project 2011-121 (Impact of Local Discretionary Sales Taxes on State Revenue Capacity) Presentation		
3	Continuation of Unemployment Compensation Tax Workshop		

Tobacco Settlement and Non-Participating Manufacturers

Issue Description and Background

The Issues: Disparate Treatment of Cigarette Manufacturers and Eroding Tobacco Settlement Payments

Florida receives annual settlement payments from 3 cigarette manufacturers that settled a lawsuit by the state in 1997.

- Other cigarette manufacturers do not make payments to the state. Because of this, some of these have a competitive advantage compared to the settling manufacturers.
- The increased U.S. market share of non-settling manufacturers has reduced Florida's settlement payments by roughly 16 percent.

Who Are the Players?

- **Original Participating Manufacturers (OPMs)** or Big Four are tobacco companies that settled with Florida in 1997 and entered the Master Settlement Agreement (MSA) with 46 states in 1998.
- **Subsequent Participating Manufacturers (SPMs)** are 58 additional tobacco manufacturers that have since joined the MSA but do not make payments to Florida.
- **Non-Participating Manufacturers (NPMs)** have not joined the MSA and do not make payments to Florida.

Historic Context

- 1996 and 1997: Florida settled with Liggett and “Big Four” tobacco companies
 - Annual settlement payment from Big Four is \$440 million, adjusted for total U.S. volume, U.S. market share of “Big Four” and inflation index
- 1998: Big Four tobacco companies (the OPMs) entered into the Master Settlement Agreement (MSA)
- Post-1998: 58 more cigarette manufacturers (the SPMs) have joined the MSA

More Context

- Credit Against Payments to Florida and Other non-MSA States
- Mandatory Escrow Statutes in MSA States
- Fees in Lieu of Settlement Payments

Disparate Treatment of Cigarette Manufacturers

	Payments to FL	Payments to MSA States	Credit for FL Payments
Original Participating Manufacturers	Yes, based on FL share of total US sales	Yes, based on total US sales, including FL	Yes
Subsequent Participating Manufacturers	No	Yes, based on total US sales, including FL	No
Non-Participating Manufacturers	No	Payments into escrow funds based on state sales	NA

Eroding Settlement Payments

- Falling sales and market share for the Big Four cigarette manufacturers have reduced payments under the Florida settlement.
- The market share of manufacturers that do not make payments to FL has increased from less than 2 percent in 1999-2000 to 16.4 percent in 2009-10.

**Potential Revenue from a Fee in Lieu of Settlement
(assuming no decrease in sales of non-settling cigarettes)**

	Fee per pack	NPM & SPM	NPM only
Mississippi rate	\$0.25	\$45,375,212	\$39,233,536
Minnesota rate	\$0.35	\$63,525,297	\$54,926,950
Escrow Statute Rate	\$0.53	\$96,195,450	\$83,175,096
Effective OPM rate	\$0.52	\$94,641,753	\$81,831,697

- Actual revenue would likely be smaller because an increase in price would cause consumers to reduce their purchases of NPM cigarettes.
- Settlement payments would increase slightly as smokers shifted their purchases to OPM cigarettes.



The Florida Senate

Issue Brief 2011-218

October 2010

Committee on Finance and Tax

TOBACCO SETTLEMENT AND NON-PARTICIPATING MANUFACTURERS ISSUE DESCRIPTION AND BACKGROUND

Statement of the Issue

In 1995 the State of Florida sued several tobacco companies, asserting claims for, among other things, expenses allegedly arising from tobacco-related matters and injunctive relief concerning sales of cigarettes to minors. In 1996 Florida and four other states¹ entered into a settlement agreement with the Liggett and Brooke Group.² In 1997 the State of Florida settled its lawsuit with the “Big Four” tobacco companies: Phillip Morris, Inc. R.J. Reynolds Tobacco Company, Brown and Williamson Tobacco Corp., and Lorillard Tobacco Company. These companies agreed to make annual payments to the state in perpetuity, adjusted annually for inflation. The amount of the annual payments was based on Florida’s share (5.5 percent) of the total volume of U.S. cigarette sales at the time of the settlement, and the national market share of the settling manufacturers, which was calculated at 98.18 percent of U.S. volume in 1997.³ (As provided by the settlement agreement, the annual payment is based on U.S. sales by the signatories to the agreement; not their sales in Florida.) The settlement also included a “most favored nation” provision, which provided the state with additional monies for a period of time if another state settled with the defendants on terms more favorable than Florida’s. Cigarette manufacturers other than the “Big Four” were not named in the state’s suit as defendants, or, in the case of Dosal Tobacco Corp., were subsequently dismissed from the lawsuit without prejudice.

In the years since the settlement agreement, the U.S. market share of the original participating cigarette manufacturers (OPMs) has fallen to 83.62 percent, significantly reducing Florida’s annual settlement payments. At the same time, Florida’s cigarette market has shifted toward non-participating manufacturers’ (NPMs) cigarettes, which have a competitive price advantage over those whose manufacturers make tobacco settlement payments.

Discussion

In November 1998, the “Big Four” tobacco companies settled with 46 states, the District of Columbia, and five U.S. territories by entering into the Master Settlement Agreement (MSA). (The states of Mississippi, Minnesota, and Texas, like Florida, entered into individual settlements before the MSA.) Some but not all other cigarette manufacturers subsequently joined the MSA but have not settled with the State of Florida. These manufacturers are known as Subsequent Participating Manufacturers (SPMs). Manufacturers that have not joined the MSA or otherwise settled with a given state are known as Non-Participating Manufacturers (NPMs).

Treatment of Non-Participating Manufacturers in the Master Settlement Agreement

The Master Settlement Agreement between the “Big Four” tobacco companies and the states, and the individual settlements they made with Mississippi, Minnesota, Florida, and Texas, could have created significant competitive disadvantages for these companies compared to other cigarette manufacturers. Incentives were provided for small manufacturers to participate in the MSA—they were protected from lawsuits by the MSA states and early signatories’ payments are based on the amount by which their market share exceeds their 1998

¹ West Virginia, Mississippi, Massachusetts, and Louisiana

² “The Liggett and Brooke Group” or “Liggett” refers collectively to Liggett Group, Inc., Brooke Group, Ltd., and Liggett & Myers, Inc.

³ Revenue Estimating Conference “Tobacco settlements Payments Forecast,” March 1, 2010

market share or 125 percent of their 1997 market share—and 58 manufacturers have subsequently joined the master settlement agreement. There are presently 51 active SPMs.⁴ Unlike the states that joined the MSA, Florida never settled with any tobacco companies except the Big Four and Liggett. Florida does not receive a share of the payments made by the SPMs, even though the SPM payments are based on their total United States market share, including Florida sales.

Escrow Statutes and NPMs

To offset the competitive advantage that would otherwise inure to NPMs, and recognizing that all cigarettes impose health care costs on the states, the 46 MSA states enacted escrow statutes as prescribed by the MSA.⁵ The statutes require each NPM to make payments of 53 cents per pack sold into an escrow account.⁶ These accounts earn interest that is payable to the NPMs, and they can recover their payments if there is no state judgment against the manufacturers within 25 years of deposit. (Virginia and North Carolina have enacted legislation that allows NPMs to choose to release escrow money to the state.)

Liggett's Role in the Tobacco Settlement

On March 15, 1996, the states of Florida, West Virginia, Mississippi, Massachusetts, and Louisiana entered into a settlement (the "Initial Settlement") with Liggett and Brooke Group, pursuant to which Liggett agreed to make certain payments, comply with certain proposed regulations restricting the marketing and sale of cigarettes to minors and to offer certain cooperation in connection with the prosecution of such actions against other defendants, all according to the terms of the Initial Settlement.

On March 20th, 1997, eighteen states and Liggett and Brooke Group entered into a settlement (the "New Settlement"), pursuant to which Liggett agreed, among other things, to extend additional cooperation in connection with the prosecution of Attorneys General actions against other cigarette companies and the other states agreed to exercise their best efforts to ensure that the financial terms of any global settlement, legislative or otherwise, would be no more onerous on, or less favorable to, Liggett and Brooke Group than those set forth in any new agreement. The initial settling states and Liggett and Brooke Group decided to expand upon the Initial Settlement, through an Addendum to Settlement Agreement, to provide for additional cooperation by Liggett with the initial settling states and to provide Liggett with assurances that the initial settling states would seek to ensure that any global settlement provide for financial terms for Liggett that reflect appropriate recognition of Liggett's cooperative efforts.⁷

Because of these settlements, and the cooperation provided by Liggett in the states' subsequent negotiations and settlements with the "Big Four" cigarette companies, Liggett is not required to make payments under Florida's settlement with the "Big Four."

Florida's Tobacco Settlement and the Cigarette Market Today

According to the Department of Professional Regulation's Division of Alcoholic Beverages and Tobacco, there were 46 licensed cigarette manufacturers or importers doing business in Florida in FY 2009-2010.⁸ There are four Settling Manufacturers—Liggett Group, Lorillard Tobacco Company, Philip Morris, and RJ Reynolds Tobacco Company—whose shipments make up 78.6 percent of cigarette sales by volume. Of the non-settling manufacturers, 12 SPMs contribute 2.2 percent of total cigarette shipments while 30 NPMs make up 19.2 percent. One NPM—Dosal Tobacco Company of Miami, FL—accounts for 15.9 percent of Florida shipments, making it the 3rd-largest source of cigarettes manufactured in or shipped to Florida.

⁴ http://www.naag.org/backpages/naag/tobacco/msa/participating_manu/2010-07-27_PM_List.pdf/file_view

⁵ http://www.naag.org/backpages/naag/tobacco/msa/exhbits/Exhibit%20T.pdf/file_view

⁶ This is the 2009 payment year rate as adjusted for inflation, based on Exhibit C of the Master Settlement Agreement and information provided by Rob Wilkey, Senior Legal Counsel, Commonwealth Brands, Inc. on November 2, 2010.

⁷ <http://stic.neu.edu> August 30, 2010.

⁸ <http://www.myfloridalicense.com/dbpr/abt/auditing/Wholesale/2010/June/documents/CigaretteShipmentsToFloridaforFY0910-JuneYearEnd.pdf>

The 3 remaining “Big Four” cigarette manufacturers (OPMs)—Lorillard Tobacco Company, Philip Morris, and RJ Reynolds Tobacco Company—that were parties to the 1997 settlement with the state make annual payments to the Tobacco Settlement Trust Fund. The FY 2009-10 payment was \$355.1 million, and in that year these manufacturers shipped 679,525,553 packs of cigarettes into the state. The average payment per pack is 52.3 cents. The total amount of the payment for any year is based on, among other factors, the national sales volume of the settling manufacturers. As these manufacturers’ market share decreases Florida’s payment also falls.

Cigarette manufacturers (SPMs) that were not in the group of original signatories but subsequently joined the master settlement agreement (MSA) with the 46 states, the District of Columbia, and 5 territories also make annual payments to the MSA based on national sales, including sales in Florida and other non-MSA states. According to Commonwealth Brands, Inc., that company’s MSA payment is approximately \$5 per carton on all U.S. sales, including those in non-MSA states. These manufacturers do not make payments to Florida, and there is no provision in their settlement agreement for a credit for payments to Florida or other non-MSA states. These manufacturers are making payments to Minnesota and Mississippi⁹ although they receive no credit for these payments against their MSA payments.

According to representatives of Commonwealth Brands, Inc., the SPMs have been negotiating with the MSA states over the issue of providing a credit for payments by these companies to previously settled states, including Florida. A conceptual agreement was reached in 2008 for an amendment to the MSA to allow these credits, but the agreement is not effective until all states execute an amendment to the MSA. A possible impediment to such an amendment is that 21 states and territories and the District of Columbia have securitized some of their MSA payments, and 8 of the states believe that the three bond rating agencies must confirm that their bonds would not be downgraded if they sign off on an amendment to provide credits. Two agencies—Fitch and Standard & Poor’s—confirmed for one state (California) that such an amendment is not materially adverse to bondholder rights, but have not expressly approved an amendment to allow a credit for the previously settled states. Moody’s has not concurred on the position with respect to California.

Many cigarette manufacturers have not joined the MSA or otherwise entered into settlements with the non-MSA states. These non-participating manufacturers (NPMs) are subject to escrow statutes (as described above) in the MSA states and must pay fees in lieu of settlement payments in Minnesota and Mississippi, but are not subject to any compensating fee in Florida (or Texas). These manufacturers are also exempt from marketing restrictions that are part of the settlement agreement.

Potential Revenue Impact of a Fee in Lieu of Settlement Payments

In 2004 bills were introduced in the Florida House of Representatives and Senate that would have imposed a fee of 2.5 cents per cigarette on each nonsettling manufacturer. SB 2112 was passed by the Senate (at a lower fee level) but its companion bill in the House, HB 405, was reported unfavorably by the House Committee on Business Regulation and the bill died. In 2009 the Senate Finance and Tax Committee held a workshop on the issue of NPM cigarettes but legislation was not introduced.

A fee that is imposed in lieu of settlement payments would provide additional revenue directly and indirectly. The direct revenue would come from fees collected from non-settling manufacturers for their Florida cigarette sales. The indirect revenue would come from higher settlement payments under the state’s settlement agreement as the market share of the OPMs increased, because NPM cigarettes would no longer have such a large price advantage.

⁹ Of the 4 states that are not signatories to the MSA—Florida, Mississippi, Minnesota, and Texas—Florida and Texas have not imposed a fee on the sale of cigarettes by NPMs. Minnesota imposed a fee of 1.75 cents per nonsettlement cigarette in 2003. Industry interests challenged this and other cigarette fees on various grounds. The Minnesota Supreme Court rejected these challenges, upholding the state’s power to impose the fees, and the United States Supreme Court declined to hear the cases. In 2009 Mississippi imposed a 1.25 cent per cigarette fee on nonsettling-manufacturer cigarettes that are sold, purchased or otherwise distributed in the state, including those sold, purchased, or otherwise distributed for sale outside the state.

Whether or not to include SPM cigarettes will be an important question in any discussion considering fee legislation. SPM representatives explain that since they make payments to the MSA based on all their U.S. sales, including Florida sales, they do not have a competitive price advantage and would be unfairly penalized by an additional fee imposed on these sales. On the other hand, SPM settlement payments do not benefit Florida and their sales do cause Florida's settlement payments to be reduced to the extent they reduce sales by the settling manufacturers.

Potential Revenue from a Fee in Lieu of Settlement Payments (assuming no decrease in sales of non-settling cigarettes)			
	Fee per pack	NPM & SPM	NPM only
Mississippi rate	\$0.25	\$45,375,212	\$39,233,536
Minnesota rate	\$0.35	\$63,525,297	\$54,926,950
Escrow Statute Rate	\$0.53	\$96,195,450	\$83,175,096
Effective OPM rate	\$0.52	\$94,641,753	\$81,831,697

The actual revenue impact of a fee that is imposed in lieu of settlement payments would differ from the potential revenue because NPM cigarette sales will decrease due to the increase in their price. This loss would be offset to some extent by the additional settlement payments from the state's settlement agreement. The Revenue Estimating Conference would determine the magnitude of these offsetting effects in its analysis of any proposed fee.

Impact of Local Discretionary Sales Taxes on State Revenue Capacity

Interim Report 2011-121

- This presentation summarizes Interim Report 2011-121
- It provides a brief overview of local option sales taxes and identifies possible legislative actions.
- A copy of the report is included in the packet, along with tables showing county-by-county information on authorized and levied taxes.

Issue Description

- Eight different types of local discretionary sales surtaxes are currently authorized.
- Recent legislation in 2009 and 2010 expanded overall county revenue-raising capacity.
- Under current law, a small number of counties could impose discretionary sales surtaxes of up to 4%.
- An overall sales tax rate of 10% is possible in those jurisdictions.

Local Option Sales Tax History

- 1976: *Charter County Transit System Surtax (2)*
- 1983: *Criminal Justice Facilities Sales Tax (1985 only)*
- 1987: *Local Government Infrastructure Surtax (21)*
- 1992: *Small County Surtax (28)*

Local Option Sales Tax History, cont.

- 1991: *Indigent Care and County Public Hospital Surtaxes (2)*
- 1995: *School Capital Outlay Surtax (14)*
- 2000: *Voter-Approved Indigent Care Surtax (4)*
- 2002-2009: *Small County Indigent Care Surtax*

Recent Additions and Expansions of Local Option Sales Surtaxes

- *Emergency Fire Rescue Services and Facilities Surtax (2009)*
- *Charter County and Regional Transportation System Surtax (2009 and 2010)*

Maximum Local Option Tax Rates

- In 2008, the maximum potential authorized local option sales tax rate was 2.5%
- Since the creation of the *Emergency Fire Rescue and Facilities Surtax* and expansion of the *Charter County and Regional Transportation System Surtax*, the highest possible rate is 4%.

Current Local Option Tax Rates

- The highest rate levied in any county today is 1.5%.
- All local option sales taxes that were up for voter approval on the November ballot failed.

Findings and Conclusions

- Florida ranks in the middle of all states for average total sales tax rate.
- Cross-border shopping is not a problem.
- High tax rates may encourage online shopping, which could impact state sales tax collections.

Legislative Options

- Maintain current law, but continue to monitor local tax rates.
- Limit each county's total surtax rate.
- Repeal the *Emergency Fire Rescue Services and Facilities Surtax*.
- Convert the *Charter County and Regional Transportation System Surtax* to a fuel tax for future levies.



The Florida Senate

Interim Report 2011-121

October 2010

Committee on Finance and Tax

IMPACT OF LOCAL DISCRETIONARY SALES TAXES ON STATE REVENUE CAPACITY

Issue Description

Eight different types of local discretionary sales surtaxes are currently authorized sources for county and municipal revenue. Maximum authorized combined surtax rates vary from county to county, but none impose surtaxes at their maximum overall rate. Recent legislation expands overall county revenue raising capacity. In 2009, counties were authorized to impose an Emergency Fire Rescue Services and Facilities Discretionary Sales Surtax of up to 1 percent. The number of counties eligible to levy the Charter County Transportation System Surtax was increased in 2009, opening it up to all charter counties. In 2010, the Legislature passed ch. 2010-225, Laws of Florida, which expands the number of jurisdictions that may impose the 1 percent renamed Charter County and Regional Transportation System Surtax to include any county that is a part of a regional transportation authority. Moreover, the legislation did not limit the imposition of the newly authorized Emergency Fire Rescue Services and Facilities Discretionary Sales Surtax or the expanded authority to impose the Charter County and Regional Transportation System Surtax in combination with any of the other local option surtaxes either already being levied by a county or available to a county under section 212.055, F.S. As a result, under current law, a number of counties could impose discretionary sales surtaxes of up to four pennies, leaving open the possibility under current law of an overall sales tax rate of 10% in some jurisdictions.

Background

Local option sales taxes were first authorized in 1976, but were not widely adopted until the authorization of the Local Government Infrastructure Surtax in 1987. This section presents a brief overview and legislative history of each local discretionary sales surtax that has been authorized by the Florida Legislature since 1976.

Charter County and Regional Transportation System Surtax

In 1976, s.1, ch. 76-284, Laws of Florida, created §125.0165, Florida Statutes, which, in conjunction with §212.055, Florida Statutes, would become the Charter County Transit System Surtax. The law was restricted to Florida counties that had adopted a charter before June 1, 1976, i.e., Miami-Dade, Duval, Volusia, Sarasota, and Broward Counties. Subject to approval by the voters, these counties were authorized to levy an additional 1 percent tax on all transactions that were subject to state sales tax, limited to the first \$1,000 of any one transaction. The revenues from the surtax would be deposited into a rapid transit trust fund and could only be used for the purposes of development, construction, equipment, maintenance, operation, supportive services, and related cost of a fixed guideway rapid transit system. A majority vote of the county's electorate was required in order to levy the surtax.

In the same law, s. 2 created §212.055, Florida Statutes. It has language similar to §125.0165, Florida Statutes, concerning the eligible counties and the additional 1 percent tax rate on all transactions that are taxed at 4 percent, and limits the surtax to the first \$1,000 of any one transaction. There are no direct references to the rapid transit trust fund, or to the use of the revenue. It does require the Department of Revenue to administer and collect the tax and to distribute the revenues on a regular and periodic basis.

In a 1978 referendum, Miami-Dade County voters rejected this surtax. In 1985, s. 125.0165, F.S., was transferred to s. 212.055, F.S., and the statutory framework for local options sales taxes was revised. In 1987, ch. 87-548, Laws of Florida, extended the surtax to sales up to \$5,000, and chs. 87-99 and 87-100, Laws of Florida, expanded eligibility to levy this tax to counties whose governments are consolidated with one or more municipalities, and created the option to remit the revenue to an expressway or transportation authority instead of the rapid transit trust fund. These counties were authorized to levy at the 1 percent tax rate until all previously issued bonds have been retired, at which time the rate was limited to 0.5 percent. Duval County levied this tax at 0.5 percent, effective 1/1/1989.

In 2002¹ the list of counties eligible to levy the Charter County Transit System Surtax was expanded to include counties that had adopted a charter prior to January 1, 1984, adding Pinellas and Hillsborough Counties. Effective 1/1/2003, Miami-Dade County levied this tax at 0.5 percent.

In 2009² the name of the tax was changed to “Charter County Transportation System Surtax,” and eligibility was expanded to all charter counties. In 2010 the tax was renamed the Charter County and Regional Transportation System surtax, eligibility was expanded to include counties served by a regional transportation or transit authority created under ch. 343 or 349, F.S., and the allowable use of surtax revenue was expanded to include expansion, operation, and maintenance of on-demand transportation systems. Under the new eligibility criteria 31 counties could levy the surtax; currently only Duval and Miami-Dade Counties have done so.

Criminal Justice Facilities Sales Tax

In 1983, the Florida Legislature authorized a 1 percent local option sales tax, upon approval of the voters, to fund the construction, repair or improvement of criminal justice facilities.³ The tax was limited to the 1985 calendar year. Eleven counties levied this tax; 2 counties—Monroe and Polk—levied it for less than the full year.

Local Government Infrastructure Surtax

In 1987, the Local Government Infrastructure Surtax was created.⁴ It allowed the governing authority of each county to levy a surtax of 0.5 percent or 1 percent for a period of up to 15 years. The surtax must be approved by a majority of voters in a referendum. The ballot must include a brief general description of the projects to be funded by and the amount of the surtax. The surtax is limited to the first \$5,000 of any taxable sale of personal property. The proceeds of the surtax, including interest, are divided between the county and municipalities based on an agreement or formula.

In 1988, 7 counties levied the Local Government Infrastructure Surtax; by January 1991 it was levied by 25 counties.

Small County Surtax

The Small County Surtax was authorized by the Florida Legislature in 1992.⁵ It gave counties with an April 1, 1992 population of 50,000 or less the authority to levy a discretionary sales surtax of 0.5 percent or 1.0 percent. If the revenues are to be used for operating purposes, the surtax may be enacted by an extraordinary vote of the county governing authority. If the revenues are to be used to service bonded indebtedness the surtax must be approved in a referendum and the ballot must include a brief description of the projects to be funded and the amount of the surtax. The proceeds of the surtax are distributed among the county and its municipalities by the terms of an interlocal agreement or formula.

The Small County Surtax is currently (2010) levied by 28 of 31 eligible counties at the 1 percent rate.

¹ S. 100, ch. 2002-20, Laws of Florida.

² Ch. 2009-146, Laws of Florida.

³ Ch. 83-355, Laws of Florida.

⁴ Chs. 87-239 and 87-548, Laws of Florida, s. 212.055(2), F.S..

⁵ Ch. 92-309, Laws of Florida.

County Public Hospital Surtax, Indigent Care and Trauma Center Surtax, Voter-Approved Indigent Care Surtax, and Small County Indigent Care Surtax

In 1991 the Florida Legislature authorized 2 local option surtaxes related to provision of health care. The **County Public Hospital Surtax**⁶ authorizes a county as defined in s. 125.100(1), F.S., (Miami-Dade County) to levy a 0.5 percent sales surtax to supplement the operation, maintenance, and administration of the county public general hospital. The tax may be approved by an extraordinary vote of the county's governing body or by referendum. The tax has been levied in Miami-Dade County since 1/1/1992.

The **Indigent Care Surtax**⁷ was authorized in 1991 for certain counties with population of 800,000 or greater (Broward, Hillsborough, Palm Beach, and Pinellas), and could be levied at a rate of 0.5 percent by an extraordinary vote of the county's governing body or by referendum. In 2000 the surtax was renamed the Indigent Care and Trauma Center Surtax and the eligibility requirements were broadened to include all non-consolidated counties. If a county's population is less than 800,000 the surtax is capped at .25 percent, must be approved by the voters, and must be used to fund trauma services by a licensed trauma center. Currently all counties except Miami-Dade and Duval are eligible to levy the tax; it is levied in Hillsborough County at 0.5 percent.

Authorized in 2000, counties with fewer than 800,000 residents may impose, by referendum only, the **Voter-Approved Indigent Care Surtax**.⁸ The rate is capped at 0.5 percent, or 1 percent if a publicly supported medical school is located in the county. Any county with a total population less than 50,000 may levy the surtax at a rate up to 1 percent, and may pledge the proceeds to service new or existing bonds to finance, plan, construct, or reconstruct a public or not-for-profit hospital in the county.

From 2002 through 2009, counties with a population of less than 50,000 were authorized to levy the **Small County Indigent Care Surtax** at a rate of 0.5 percent, by an extraordinary vote of the county governing body.

School Capital Outlay Surtax

In 1995, s.1, 95-258, Laws of Florida, created the School Capital Outlay Surtax.⁹ It allows the school board in each county, with a majority vote of a county referendum, to levy a surtax of up to 0.5 percent. The ballot must have a brief general description of the projects funded by the surtax and the amount of the surtax. The surtax proceeds must be used to fund capital expenditures or fixed capital costs associated with the construction, reconstruction, or improvement of school facilities that have a life expectancy of 5 years or longer, or related land acquisition and improvement. The proceeds may also be used for technology acquisitions and implementation for school district sites. The proceeds may not be used for operational expenses. The revenues are collected by the Department of Revenue and distributed to each school board imposing the surtax.

Emergency Fire Rescue Services and Facilities Surtax

In 2009, the Florida Legislature enacted ch. 2009-182, Laws of Florida, authorizing the Emergency Fire Rescue Services and Facilities Surtax¹⁰, to be levied at the rate of up to 1 percent pursuant to an ordinance enacted by a county's governing body and approved by referendum. The proceeds must be used for emergency fire rescue services, which term includes but is not limited to preventing and extinguishing fires; protecting and saving life and property from fires or natural or intentional acts or disasters; enforcing municipal, county, or state fire prevention codes and laws pertaining to the prevention and control of fires; and providing prehospital emergency medical treatment. A county that levies this surtax, and any participating jurisdiction that enters into an interlocal agreement to receive proceeds of the surtax, must reduce its ad valorem tax levy or any non-ad valorem assessment for fire control and emergency rescue services. Eligibility is limited to counties that have not imposed two separate discretionary surtaxes without expiration dates; Miami-Dade and Madison are currently ineligible to levy the surtax. No county currently levies this surtax.

⁶ Section 212.055(5), F.S.

⁷ Section 212.055(4), F.S.

⁸ Section 212.055(7), F.S.

⁹ Section 212.055(6), F.S.

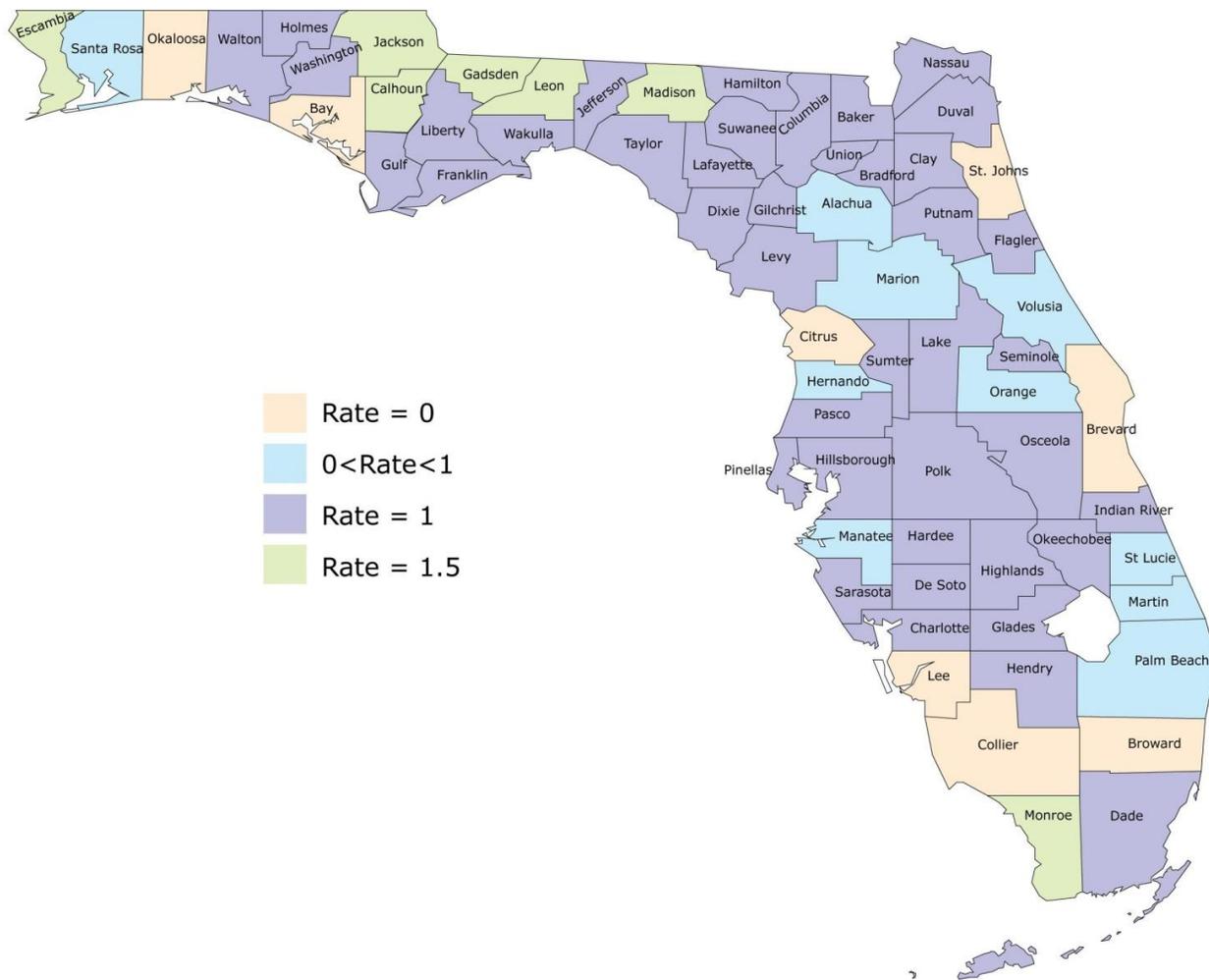
¹⁰ Section 212.055(8), F.S.

Limits on Surtax Levies

There are several statutory limits on the combinations of surtaxes that may be levied. A county may not levy the Local Government Infrastructure, Small County, Indigent Care and Trauma Center, and County Public Hospital surtaxes in excess of a combined rate of 1 percent.¹¹ Another limitation on the imposition of surtaxes is that most must be approved by referendum. The Small County, County Public Hospital, and Indigent Care and Trauma Center surtaxes may be levied by an extraordinary vote of the county governing body, limited to a non-consolidated county with population greater than 800,000 for the Indigent Care and Trauma Center surtax.

Local Government Utilization of Local Option Surtaxes

Current Local Sales Surtax Rates LFY 2009-10



Even though potential local sales surtax levies have increased significantly in the past 2 years because of the creation of the Emergency Fire Rescue Services and Facilities Surtax and extension of the Charter County and Regional Transportation System Surtax, discretionary tax rates have not risen in the past two years. According to Department of Revenue [data](#), discretionary surtax rates will decrease by 0.5 percent in Alachua and Palm Beach Counties effective December 31, 2010,

¹¹ Sections 212.055(2)(h), (3)(f), (4)(b)5, and (5)(f), F.S.

and Marion County's tax rate decreased by 0.5 percent December 31, 2009 upon the expiration of the school surtax. A chart showing which taxes are available to and levied in each county is available [here](#).

Potential New Surtax Levies for 2011 and Later

According to information provided by the Department of Revenue¹², six counties have either already held or will hold referenda on new discretionary surtaxes in 2010.

- Bay County voters approved a 0.5 percent school surtax to be levied for 10 years.
- Hillsborough County voters will decide whether to approve a 1 percent Charter County and Regional Transportation System Surtax on 11/2/2010. If approved, it will begin 1/1/2011 and has no expiration date.
- Okaloosa County voters rejected a 0.5 percent school surtax.
- Osceola County voters will decide whether to approve a 1 percent Charter County and Regional Transportation System Surtax on 11/2/2010. If approved, it will be in effect 1/1/2011 through 12/31/2020.
- Polk County voters will decide whether to approve a 0.5 percent Charter County and Regional Transportation System Surtax on 11/2/2010. If approved, it will begin 1/1/2011 and will be in effect until December 31 of the year in which it is repealed.
- Seminole County voters will decide whether to approve a 0.5 percent school surtax on 11/2/2010. If approved, it will be in effect 1/1/2012 through 12/31/2021.

If voters in Hillsborough and Osceola Counties approve their proposed surtaxes the combined sales tax rate in those counties will be 8 percent.

Findings and/or Conclusions

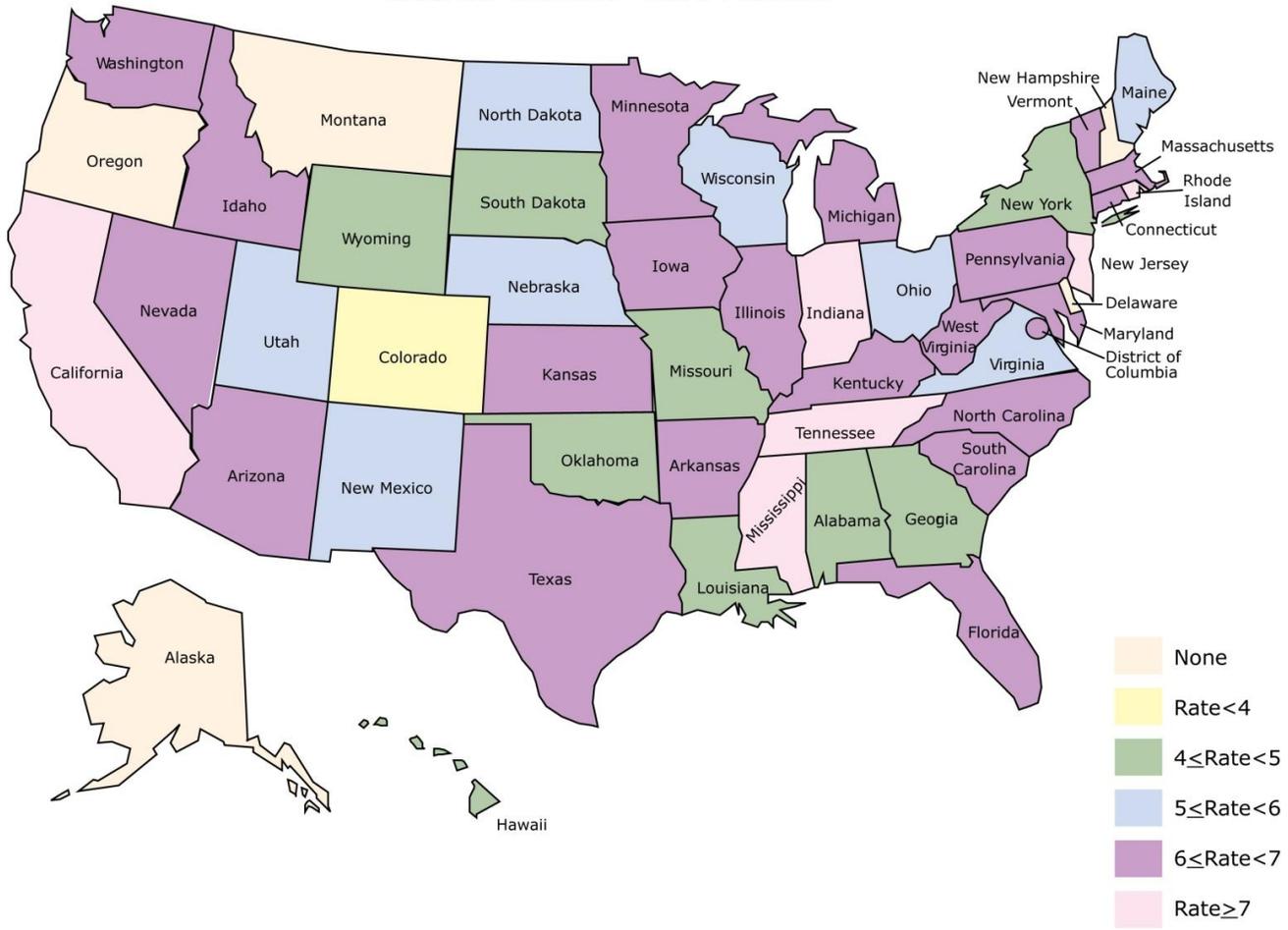
Local discretionary sales taxes are a common source of local tax revenue across the United States, and add significantly to the total sales tax burden. As pointed out in a 2009 study by the Tax Foundation in its analysis of the effect of sales tax rates on a state's business climate, "Comparisons of state-level sales taxes miss an entire layer of taxation beneath it in many states. . . . Despite the difficulties associated with this mass of local data, it is essential to include the local option sales tax to portray an accurate picture of the actual sales tax paid."¹³ Information on sales tax rates and population-weighted average local sales tax rates can be found [here](#). Based on the population-weighted average local sales tax for each state, in 5 states—Alabama, Alaska, Colorado, Louisiana, and New York—the weighted average local tax rate is higher than the state rate. In 3 states—Georgia, Missouri, and Oklahoma—the local rate is more than half the state rate.

The importance of local sales taxes can be seen in these maps, which show state sales tax rates, and state plus local rates. Many states that have relatively low state rates become average or high-tax states when the effect of local taxes is included. Looking at state-wide average local tax rates obscures the range of local taxes in some states. In Florida local sales tax rates range from zero to 1.5 percent. In a state with high local tax rates such as Colorado, city sales tax rates range from 1 percent to 5 percent. Idaho and Utah authorize higher local taxes in resort areas.

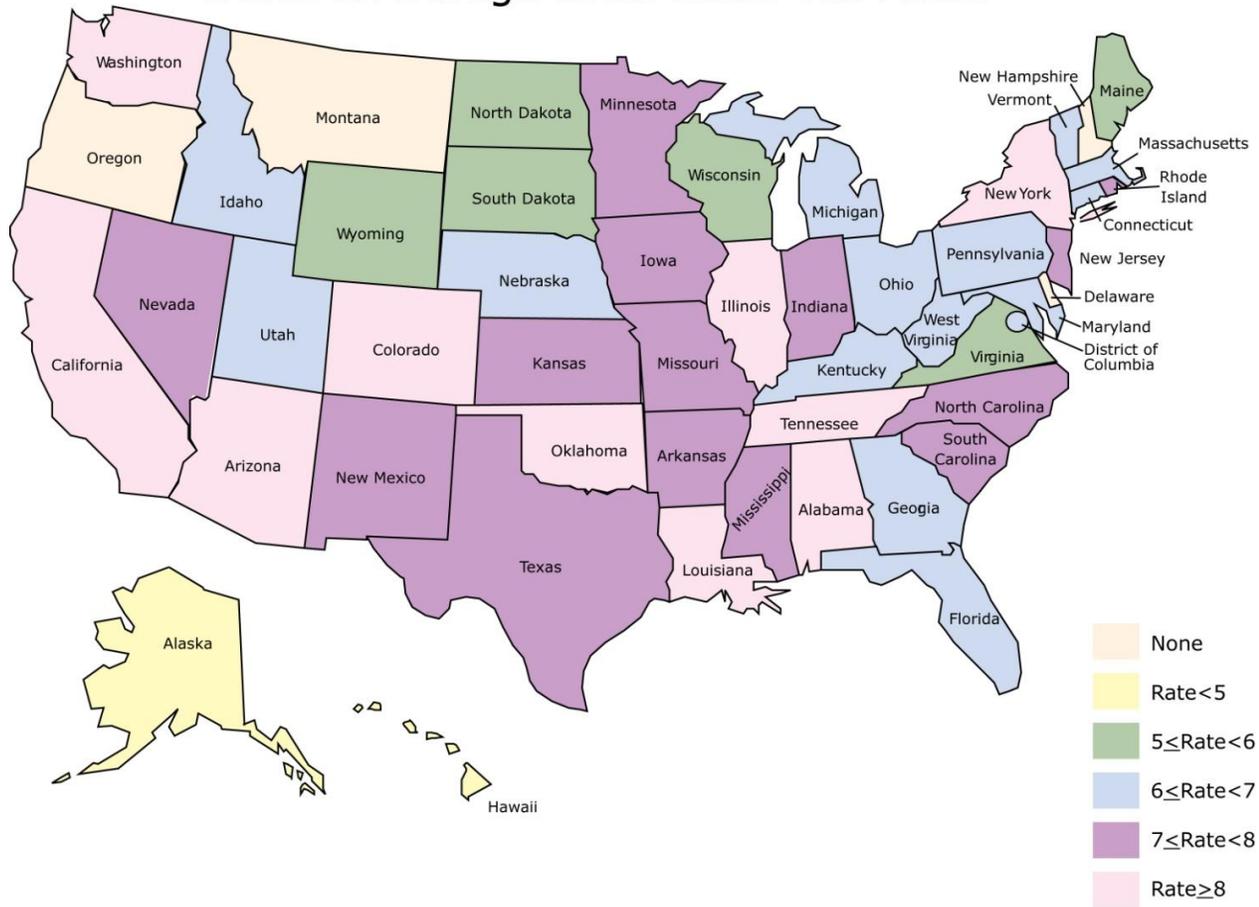
¹² Information provided by David Ansley, Department of Revenue, August 31, 2010.

¹³ "2010 State Business Climate Index", Kail Padgett Background Paper September 2009, p. 22.

State Sales Tax Rates



State & Average Local Sales Tax Rates



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Potential Impact of Local Discretionary Sales Taxes on State Revenue-Raising Capacity

Recent increases in the levels of local discretionary sales taxes available to Florida counties have raised the question of whether the state’s sales tax revenue-raising capacity is at risk. There is a possibility that if sales tax rates rise too high they will damage the state’s ability to raise revenue. As described in an academic article about the impact of sales tax on retail activity, “There are three main ways in which sales taxes affect retail sales. First, they may increase the after-tax price of goods and thus they may have a negative wealth effect that reduces total sales. Second, selective taxation of goods induces substitution from the taxed goods towards the non-taxed goods. And third, if the tax rate varies across jurisdictions, it induces geographic substitution of purchases.”¹⁴ The first two effects are unlikely to be important because local discretionary sales taxes in Florida are too small to have a noticeable wealth effect, and since they apply to the same tax base as the state sales tax they will not induce substitution away from taxed goods. They could, however, induce consumers to shift their purchases to lower-tax jurisdictions.

Cross-Border Shopping

Since each state or nation may determine the tax rate within its own borders, the issue of cross-border shopping has been a subject of several economic studies. The literature includes theoretical and empirical analyses of this phenomenon in the United States, between the United States and Canada, and in the European Union. Studies of consumers that live adjacent to lower-tax jurisdictions have shown that cross-border shopping can affect the revenue generating capabilities of state

¹⁴ Francisco M. Torralba, “New Evidence on Effects of Sales Tax on Retail Activity,” presented at the 2004 SRSA Annual Conference, New Orleans.

governments,¹⁵ but another study¹⁶ of local sales taxation in rural areas concludes that raising local sales tax rates does not jeopardize retail sales as long as the tax differential between communities is not large. Given Florida's peninsular geography, the effective sales tax rates in Georgia and Alabama, and the distance of its major population centers from adjacent states it is not likely that the imposition of discretionary local sales taxes in border counties would significantly impact the state's revenue-raising capacity.

"Tax-Free" Shopping

The rise in e-commerce has created a situation in which shoppers do not need to travel to another jurisdiction for a lower sales tax rate—there is an alternative that has a zero effective tax rate.¹⁷ In 1992, the U.S. Supreme Court ruled in *Quill Corp. v. North Dakota* that states cannot require a retailer to collect sales and use taxes for in-state customers unless the retailer has "nexus", e.g., a physical presence in their state.¹⁸ The Supreme Court reasoned that with over 6,000 different tax jurisdictions in the United States, taxes on out-of-state businesses "might unduly burden interstate commerce." The estimated losses resulting from states' inability to require out-of-state sellers to collect and remit sales taxes are substantial. In 2010, uncollected state and local sales tax from e-commerce will total approximately \$8.6 billion.¹⁹

Studies of the effect of sales-tax rates on Internet shopping indicate that sales taxes typically have a positive and statistically significant impact on the probability of buying online.^{20, 21} Even though the magnitude is small—Alm and Melnik find that a 1 percent change in the tax price reduces the probability of buying online by roughly 0.5 percent-- it is significant. The availability of essentially "tax-free" purchasing opportunities creates a policy conundrum for states and local governments--increasing the sales tax rate in response to falling sales tax revenues will encourage purchases online, further eroding the revenue-raising capacity of the sales tax. To the extent that a local discretionary sales surtax increase encourages online purchases, it may increase revenue for the local government levying the surtax (the higher tax rate will somewhat offset the loss in transactions) but decrease state sales tax revenue because the tax rate is unchanged but there are fewer transactions.

Options and/or Recommendations

Generalizing from these findings to Florida's situation with respect to local discretionary sales taxes, it appears that Florida's current level of sales tax, both state and local, is not out of line with other states. As of July 1, 2010, Florida ranked 24th among the states (with 1 being the highest) in state and state-wide average local tax rate.²² No local governments have levied the additional discretionary surtaxes that were authorized by the Legislature in 2009 or 2010, but voters in 3 counties—Hillsborough, Osceola, and Polk—will vote on Charter County and Regional Transportation System Surtaxes in November.

There are at least two options that the Legislature could consider to prevent local sales tax rates from becoming so high that they undermine the state's tax base:

¹⁵ Mehmet S. Tosun and Mark L. Skidmore, "Cross-Border Shopping and the Sales Tax: An Examination of Food Purchases in West Virginia," *The B/E/ Journal of Economic Analysis and Policy* Vol. 7 Iss. 1(Topics), 2007 Article 63.

¹⁶ Dodd w. Snodgrass and Daniel M. Otto, "Analysis of State and Local Sales Taxation in Rural Areas: An Oklahoma Case Study," *Growth and Change*, 1990, 21, 34-35.

¹⁷ Although Chapter 212, F.S., does not exempt Internet sales of tangible personal property, and the Department of Revenue's website advises that if the person selling the property into this State does not have sufficient nexus or is not registered with the department as a dealer to collect sales tax, the purchaser is obligated to pay use tax, the Department of Revenue does not have the ability to enforce this law for most items delivered from out of state.

¹⁸ *Quill Corp. v. North Dakota*. 504 U.S. 298 (1992).

¹⁹ Donald Bruce, William F. Fox, and LeAnn Luna, "State and Local Government Sales Tax Revenue Losses from Electronic Commerce," The University of Tennessee (April 13, 2009), <http://cber.utk.edu/ecomm/ecom0409.pdf>.

²⁰ James Alm and Mikhail I. Melnik, "Sales Taxes and the Decision to Purchase Online," *Public Finance Review*, Vol. 33 No. 2, March 2005 184-212.

²¹ Charles L. Ballard and Jaimin Lee, "Internet Purchases, Cross-Border Shopping, and Sales Taxes," *National Tax Journal*, Vol. LX, No. 4, December 2007 711-725.

²² Tax Foundation, "State and Local-Option General Sales Tax Rates," Fiscal Fact No. 240, August 19, 2010.

- Amend s. 212.055, F.S., to limit the total local discretionary sales surtax levy in any county. If these surtaxes were limited to 2 percent, no surtax currently levied or on the November ballot would be affected, but future increases would be limited.
- Repeal the Emergency Fire Rescue Services and Facilities Surtax, which is not levied and is not before the voters in any county. According to information²³ provided by the Department of Revenue three counties discussed this surtax, but none adopted an ordinance to place it on the ballot. In Palm Beach County it was reported that “county administrators concluded there were too many unanswered questions about the new state law making the increase possible.”

Another option would be for the Legislature to convert the Charter County and Regional Transportation System Surtax to a fuel tax for any future levies. This would impose the burden of the tax on the potential beneficiaries of improved transportation facilities, and could it not be avoided as easily.

²³ Information provided by David Ansley, Department of Revenue, August 31, 2010.

2011 Local Discretionary Sales Surtax Rates in Florida's Counties

County	Levy Combinations Are Subject to Various Tax Rate Caps - See Notes							County Government Levies			School District Levy (i.e., School Capital Outlay Surtax)			
	Charter County and Regional Transportation System Surtax <small>s. 212.055(1), F.S.</small>	Emergency Fire Rescue Services and Facilities Surtax <small>s. 212.055(8), F.S.</small>	Local Gov't Infrastructure Surtax <small>s. 212.055(2), F.S.</small>	Small County Surtax <small>s. 212.055(3), F.S.</small>	Indigent Care/ Trauma Center Surtaxes <small>s. 212.055(4), F.S.</small>	County Public Hospital Surtax <small>s. 212.055(5), F.S.</small>	Voter-Approved Indigent Care Surtax <small>s. 212.055(7), F.S.</small>	School Capital Outlay Surtax <small>s. 212.055(6), F.S.</small>	Maximum Potential Tax Rate	Current Tax Rate	Unused Tax Rate	Maximum Potential Tax Rate	Current Tax Rate	Unused Tax Rate
	<i>Up to 1%</i>	<i>Up to 1%</i>	<i>0.5% or 1%</i>	<i>0.5% or 1%</i>	<i>Up to 0.25%, 0.5%</i>	<i>0.5%</i>	<i>Up to 0.5%, 1%</i>	<i>Up to 0.5%</i>						
Alachua						0.25		3.5	0.25	3.25	0.5	0.0	0.5	
Baker				1				2.5	1.0	1.5	0.5	0.0	0.5	
Bay							0.5	3.0	0.0	3.0	0.5	0.5	0.0	
Bradford				1				2.5	1.0	1.5	0.5	0.0	0.5	
Brevard								3.0	0.0	3.0	0.5	0.0	0.5	
Broward								3.0	0.0	3.0	0.5	0.0	0.5	
Calhoun				1			0.5	2.5	1.0	1.5	0.5	0.5	0.0	
Charlotte			1					3.0	1.0	2.0	0.5	0.0	0.5	
Citrus								3.0	0.0	3.0	0.5	0.0	0.5	
Clay			1					3.0	1.0	2.0	0.5	0.0	0.5	
Collier								2.0	0.0	2.0	0.5	0.0	0.5	
Columbia				1				3.0	1.0	2.0	0.5	0.0	0.5	
DeSoto				1				2.5	1.0	1.5	0.5	0.0	0.5	
Dixie				1				2.5	1.0	1.5	0.5	0.0	0.5	
Duval	0.5		0.5					3.0	1.0	2.0	0.5	0.0	0.5	
Escambia			1				0.5	3.0	1.0	2.0	0.5	0.5	0.0	
Flagler			0.5				0.5	2.0	0.5	1.5	0.5	0.5	0.0	
Franklin				1				3.5	1.0	2.5	0.5	0.0	0.5	
Gadsden				1				2.5	1.5	1.0	0.5	0.0	0.5	
Gilchrist				1			0.5	2.5	1.0	1.5	0.5	0.0	0.5	
Glades			1					2.5	1.0	1.5	0.5	0.0	0.5	
Gulf				1				3.5	1.0	2.5	0.5	0.0	0.5	
Hamilton				1				2.5	1.0	1.5	0.5	0.0	0.5	
Hardee				1				2.5	1.0	1.5	0.5	0.0	0.5	
Hendry				1				2.5	1.0	1.5	0.5	0.0	0.5	
Hernando							0.5	3.0	0.0	3.0	0.5	0.5	0.0	
Highlands			1					2.0	1.0	1.0	0.5	0.0	0.5	
Hillsborough			0.5		0.5			3.0	1.0	2.0	0.5	0.0	0.5	
Holmes				1				2.5	1.0	1.5	0.5	0.0	0.5	
Indian River			1					2.0	1.0	1.0	0.5	0.0	0.5	
Jackson				1			0.5	2.0	1.0	1.0	0.5	0.5	0.0	
Jefferson				1				2.5	1.0	1.5	0.5	0.0	0.5	
Lafayette				1				2.5	1.0	1.5	0.5	0.0	0.5	
Lake			1					2.0	1.0	1.0	0.5	0.0	0.5	
Lee								3.0	0.0	3.0	0.5	0.0	0.5	
Leon			1				0.5	3.5	1.0	2.5	0.5	0.5	0.0	
Levy				1				2.5	1.0	1.5	0.5	0.0	0.5	
Liberty				1				2.5	1.0	1.5	0.5	0.0	0.5	
Madison				1				1.5	1.5	0.0	0.5	0.0	0.5	
Manatee							0.5	3.0	0.0	3.0	0.5	0.5	0.0	
Marion								2.0	0.0	2.0	0.5	0.0	0.5	
Martin			0.5					2.0	0.5	1.5	0.5	0.0	0.5	
Miami-Dade	0.5							2.0	1.0	1.0	0.5	0.0	0.5	
Monroe			1				0.5	2.0	1.0	1.0	0.5	0.5	0.0	
Nassau				1				2.0	1.0	1.0	0.5	0.0	0.5	
Okaloosa								3.0	0.0	3.0	0.5	0.0	0.5	
Okeechobee				1				2.5	1.0	1.5	0.5	0.0	0.5	
Orange							0.5	3.0	0.0	3.0	0.5	0.5	0.0	
Osceola			1					3.0	1.0	2.0	0.5	0.0	0.5	
Palm Beach								3.0	0.0	3.0	0.5	0.0	0.5	
Pasco			1					3.0	1.0	2.0	0.5	0.0	0.5	
Pinellas			1					3.0	1.0	2.0	0.5	0.0	0.5	
Polk							0.5	3.0	0.5	2.5	0.5	0.5	0.0	
Putnam			1					2.0	1.0	1.0	0.5	0.0	0.5	

2011 Local Discretionary Sales Surtax Rates in Florida's Counties

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	Charter County and Regional Transportation System Surtax s. 212.055(1), F.S.	Emergency Fire Rescue Services and Facilities Surtax s. 212.055(8), F.S.	Local Gov't Infrastructure Surtax s. 212.055(2), F.S.	Small County Surtax s. 212.055(3), F.S.	Indigent Care/ Trauma Center Surtaxes s. 212.055(4), F.S.	County Public Hospital Surtax s. 212.055(5), F.S.	Voter-Approved Indigent Care Surtax s. 212.055(7), F.S.	School Capital Outlay Surtax s. 212.055(6), F.S.	Maximum Potential Tax Rate	Current Tax Rate	Unutilized Tax Rate	Maximum Potential Tax Rate	Current Tax Rate	Unutilized Tax Rate
	Up to 1%	Up to 1%	0.5% or 1%	0.5% or 1%	Up to 0.25%, 0.5%	0.5%	Up to 0.5%, 1%	Up to 0.5%						
St. Johns								2.0	0.0	2.0	0.5	0.0	0.5	
St. Lucie							0.5	2.0	0.0	2.0	0.5	0.5	0.0	
Santa Rosa							0.5	3.0	0.0	3.0	0.5	0.5	0.0	
Sarasota			1					3.0	1.0	2.0	0.5	0.0	0.5	
Seminole			1					3.0	1.0	2.0	0.5	0.0	0.5	
Sumter				1				2.0	1.0	1.0	0.5	0.0	0.5	
Suwannee				1				2.5	1.0	1.5	0.5	0.0	0.5	
Taylor				1				2.5	1.0	1.5	0.5	0.0	0.5	
Union				1				2.5	1.0	1.5	0.5	0.0	0.5	
Volusia								3.0	0.0	3.0	0.5	0.5	0.0	
Wakulla			1					3.5	1.0	2.5	0.5	0.0	0.5	
Walton				1				3.0	1.0	2.0	0.5	0.0	0.5	
Washington				1				2.5	1.0	1.5	0.5	0.0	0.5	
# Eligible to Levy:	31	65	67	31	65	1	60	67	67			67		
# Levying:	2	0	20	28	1	1	4	14	51			14		

- Notes:
- Boxed areas indicate those counties or school districts (for the School Capital Outlay Surtax only) eligible to impose the particular surtax.
 - The Indigent Care and Trauma Center Surtax consists of two separate levies for different groups of eligible counties. Non-consolidated counties with a total population of 800,000 or more may impose, either by an extraordinary vote of the county's governing body or voter approval in a countywide referendum, a surtax not to exceed 0.5% for the purpose of funding health care services for qualified residents. Non-consolidated counties with a total population of less than 800,000 may impose, subject to voter approval in a countywide referendum, a surtax not to exceed 0.25% for the sole purpose of funding trauma services provided by a trauma center licensed pursuant to Chapter 395, Florida Statutes.
 - Pursuant to ss. 212.055(2)(h) and 212.055(3)(f), F.S., a county shall not levy the Local Government Infrastructure, Small County, Indigent Care and Trauma Center, and County Public Hospital surtaxes in excess of a combined rate of 1%.
 - Pursuant to s. 212.055(4)(b)5., F.S., a county shall not levy the Local Government Infrastructure, Small County, and Indigent Care and Trauma Center surtaxes in excess of a combined rate of 1%.
 - Pursuant to s. 212.055(5)(f), F.S., a county shall not levy the Local Government Infrastructure, Small County, and County Public Hospital surtaxes in excess of a combined rate of 1%.
 - Subject to referendum approval, the Voter-Approved Indigent Care Surtax may be levied by counties with less than 800,000 residents at a rate not to exceed 0.5%. However, if a publicly supported medical school is located within the qualifying county, the rate shall not exceed 1%, pursuant to s. 212.055(7)(a), F.S. Currently, Florida has publicly supported medical schools at the following universities: Florida International University in Miami-Dade County; Florida State University in Leon County; University of Central Florida in Orange County; University of Florida in Alachua County; and the University of South Florida in Hillsborough County. The Florida International University, University of Central Florida, and University of South Florida medical schools are each located in counties having a resident population greater than 800,000; therefore, Hillsborough, Miami-Dade, and Orange counties are not eligible to levy the surtax. Only Alachua and Leon counties could levy the surtax at the maximum 1% rate. Additionally, the governing body of any county that has a population of less than 50,000 residents may levy the surtax, at a rate not to exceed 1%, subject to voter approval in countywide referendum pursuant to Chapter 2005-242, Laws of Florida. Consequently, if a publicly supported medical school is located in the county, or the county has a population of less than 50,000 residents, the combined tax rate of this levy and any Local Government Infrastructure Surtax and Small County Surtax levies shall not exceed 1.5% pursuant to s. 212.055(7)(f), F.S. For all other counties eligible to levy this surtax, the combined tax rate shall not exceed 1%.
 - Effective July 1, 2009, Chapter 2009-146, L.O.F., renamed the Charter County Transit System Surtax as the Charter County Transportation System Surtax and extended eligibility for surtax levy to 13 additional charter counties.
 - Effective July 1, 2010, Chapter 2010-225, L.O.F., renames the Charter County Transportation System Surtax as the Charter County and Regional Transportation System Surtax and extends eligibility for surtax levy to each county that is within or under an interlocal agreement with a regional transportation or transit authority created under Chapters 343 or 349, Florida Statutes (i.e., South Florida Regional Transportation Authority, Central Florida Regional Transportation Authority, Northwest Florida Transportation Corridor Authority, Tampa Bay Area Regional Transportation Authority, and Jacksonville Transportation Authority). As a result of this legislation, seven counties within the Northwest Florida Transportation Corridor Authority (i.e., Bay, Escambia, Franklin, Gulf, Okaloosa, Santa Rosa, and Walton) and four counties of the Tampa Bay Area Regional Transportation Authority (i.e., Citrus, Hernando, Manatee, and Pasco) will be eligible to levy this surtax.
 - Effective July 1, 2009, Chapter 2009-182, L.O.F., created the Emergency Fire Rescue Services and Facilities Surtax. A county's governing body, other than a county that has imposed two separate discretionary surtaxes without expiration, may levy this surtax at a rate of up to 1%, subject to voter approval in a countywide referendum. Madison and Miami-Dade counties are not eligible to levy this surtax since each county has imposed two separate discretionary surtaxes without expiration. The remaining 65 counties are eligible to levy this surtax. However, if Orange or Osceola impose the surtax, neither county shall levy the surtax within the boundaries of the Reedy Creek Improvement District pursuant to s. 212.055(8)(j), F.S.
 - Since both the Charter County and Regional Transportation System Surtax and Emergency Fire Rescue Services and Facilities Surtax are not subject to any tax rate limitations, the maximum potential tax rates for nearly all county governments have increased since July 1, 2009. For Madison and Miami-Dade counties, the maximum potential tax rate has not changed. For 24 counties (i.e., Alachua, Bay, Brevard, Charlotte, Citrus, Clay, Columbia, Escambia, Franklin, Gulf, Hernando, Lee, Leon, Manatee, Okaloosa, Orange, Osceola, Palm Beach, Pasco, Polk, Santa Rosa, Seminole, Wakulla, and Walton), the maximum potential tax rate has increased by 2%. For all other counties, the maximum potential tax rate has increased by 1%. Currently, Alachua, Franklin, Gulf, Leon, and Wakulla counties have the highest maximum potential tax rate for county government levies at 3.5%.
 - The following local discretionary sales surtax levies are scheduled to expire on December 31, 2010: Alachua County's 0.5% levy of the Local Government Infrastructure Surtax and Palm Beach County's 0.5% levy of the School Capital Outlay Surtax. Although these surtaxes are still being levied through the end of the 2010 calendar year, they are not included here since this listing reflects rates as of January 1, 2011.
 - In the November 2, 2010 general election, five of six proposed local discretionary sales surtax referenda were rejected by voters in several counties. Voters in Hillsborough and Osceola counties rejected proposed 1% levies of the Charter County and Regional Transportation System Surtax. Voters in Polk County rejected a proposed 0.5% levy of the Charter County and Regional Transportation System Surtax. Voters in Okaloosa and Seminole counties rejected proposed 0.5% levies of the School Capital Outlay Surtax. Bay County voters approved a 0.5% levy of the School Capital Outlay Surtax, which will begin January 1, 2011.
 - The following local discretionary sales surtax levies are scheduled to expire on December 31, 2011: Alachua County's 0.25% levy of the Voter-Approved Indigent Care Surtax; Martin County's 0.5% levy of the Local Government Infrastructure Surtax; and Seminole County's 1.0% levy of the Local Government Infrastructure Surtax.

Data Sources: Florida Department of Revenue's "History of Local Sales Tax and Current Rates" (Last Updated: December 1, 2010) <https://taxlaw.state.fl.us/wordfiles/SUT%20TRC%20HISTORY.pdf> and "Discretionary Sales Surtax Information" DR-15DSS (Revised: Nov. 2010) <http://dor.myflorida.com/dor/forms/2011/dr15dss.pdf>



Discretionary Sales Surtax Information

This document contains the discretionary sales surtax rates for 2011. Please **check** the rates for each county in which you sell, use, or deliver taxable goods or services.

Please see the back of this form for a list of specific counties that have changes for 2011.

It is each dealer's responsibility to verify the rates for 2011 and to collect and send in the correct discretionary sales surtax on each taxable sale that is subject to surtax. The amount of surtax we distribute to each county is based on where the selling dealer is located and the proper completion of the surtax information on the sales and use tax return. If you have questions, please visit our Internet site or call us.

Discretionary Sales Surtax Rates for 2011 (as of November 2, 2010)

COUNTY	TOTAL SURTAX RATE	EFFECTIVE DATE	EXPIRATION DATE	COUNTY	TOTAL SURTAX RATE	EFFECTIVE DATE	EXPIRATION DATE
Alachua	.25%	Jan 1, 2005	Dec 2011 ←	Lafayette	1%	Sep 1, 1991	None
Baker	1%	Jan 1, 1994	None	Lake	1%	Jan 1, 1988	Dec 2017
Bay	.5%	Jan 1, 2011	Dec 2020	Lee	None		
Bradford	1%	Mar 1, 1993	None	Leon	1.5% (1%) (.5%)	Dec 1, 1989 Jan 1, 2003	Dec 2019 Dec 2012
Brevard	None			Levy	1%	Oct 1, 1992	None
Broward	None			Liberty	1%	Nov 1, 1992	None
Calhoun	1.5% (1%) (.5%)	Jan 1, 2009 Jan 1, 2009	None Dec 2018	Madison	1.5% (1%) (.5%)	Aug 1, 1989 Jan 1, 2007	None None
Charlotte	1%	Jan 1, 2009	Dec 2014	Manatee	.5%	Jan 1, 2003	Dec 2017
Citrus	None			Marion	None		
Clay	1%	Feb 1, 1990	Dec 2019	Martin	.5%	Jan 1, 2007	Dec 2011 ←
Collier	None			Miami-Dade	1% (.5%) (.5%)	Jan 1, 1992 Jan 1, 2003	None None
Columbia	1%	Aug 1, 1994	None	Monroe	1.5% (1%) (.5%)	Nov 1, 1989 Jan 1, 1996	Dec 2018 Dec 2015
Dade	See Miami-Dade for rates.			Nassau	1%	Mar 1, 1996	None
De Soto	1%	Jan 1, 1988	None	Okaloosa	None		
Dixie	1%	Apr 1, 1990	Dec 2029	Okeechobee	1%	Oct 1, 1995	None
Duval	1% (.5%) (.5%)	Jan 1, 1989 Jan 1, 2001	None Dec 2030	Orange	.5%	Jan 1, 2003	Dec 2015
Escambia	1.5% (1%) (.5%)	Jun 1, 1992 Jan 1, 1998	Dec 2017 Dec 2017	Osceola	1%	Sep 1, 1990	Aug 2025
Flagler	1% (.5%) (.5%)	Jan 1, 2003 Jan 1, 2003	Dec 2012 Dec 2012	Palm Beach	None		
Franklin	1%	Jan 1, 2008	None	Pasco	1%	Jan 1, 2005	Dec 2014
Gadsden	1.5% (1%) (.5%)	Jan 1, 1996 Jan 1, 2009	None Dec 2038	Pinellas	1%	Feb 1, 1990	Dec 2019
Gilchrist	1%	Oct 1, 1992	None	Polk	1% (.5%) (.5%)	Jan 1, 2004 Jan 1, 2005	Dec 2018 Dec 2019
Glades	1%	Feb 1, 1992	Dec 2021	Putnam	1%	Jan 1, 2003	Dec 2017
Gulf	1%	Jan 1, 2010	None	St. Johns	None		
Hamilton	1%	Jul 1, 1990	Dec 2019	St. Lucie	.5%	Jul 1, 1996	Dec 2026
Hardee	1%	Jan 1, 1998	None	Santa Rosa	.5%	Oct 1, 1998	Dec 2018
Hendry	1%	Jan 1, 1988	None	Sarasota	1%	Sep 1, 1989	Dec 2024
Hernando	.5%	Jan 1, 2005	Dec 2014	Seminole	1%	Jan 1, 2002	Dec 2011 ←
Highlands	1%	Nov 1, 1989	Oct 2019	Sumter	1%	Jan 1, 1993	None
Hillsborough	1% (.5%) (.5%)	Dec 1, 1996 Oct 1, 2001	Nov 2026 None	Suwannee	1%	Jan 1, 1988	None
Holmes	1%	Oct 1, 1995	Dec 2013	Taylor	1%	Aug 1, 1989	Dec 2029
Indian River	1%	Jun 1, 1989	Dec 2019	Union	1%	Feb 1, 1993	None
Jackson	1.5% (1%) (.5%)	Jun 1, 1995 Jul 1, 1996	Dec 2025 Dec 2015	Volusia	.5%	Jan 1, 2002	Dec 2016
Jefferson	1%	Jun 1, 1988	None	Wakulla	1%	Jan 1, 1988	Dec 2017
				Walton	1%	Feb 1, 1995	None
				Washington	1%	Nov 1, 1993	None

Each county that has a new surtax levy or extension is indicated in bold. Any county that has a surtax that expires in 2011 is also in bold and has an ← beside the expiration date.

Please Note:

The following counties have had changes to their discretionary sales surtax rates or expiration dates effective for 2011.

- Alachua County** – **.25% Total Surtax Rate Effective 1/1/2011**
- .5% surtax expired 12/31/2010 (NOT extended)
- Bay County** – **.5% Total Surtax Rate Effective 1/1/2011**
- Passed a **NEW .5% surtax** that begins 1/1/2011 and expires 12/31/2020
- Palm Beach County** – **No Surtax Rate Effective 1/1/2011**
- .5% surtax expired 12/31/2010 (NOT extended)

These taxes are distributed to local governments throughout the state. **The amount of money distributed is based on how you complete each tax return.** Dealers should impose the discretionary sales surtax on taxable sales when delivery occurs in a county that imposes surtax. For motor vehicle and mobile home sales, the selling dealer must collect the surtax at the rate imposed by the county identified as the purchaser's residence. Only the first \$5,000 on a single sale of tangible personal property is subject to discretionary sales surtax if the property is sold as a single item, in bulk, as a working unit, or as part of a working unit. The \$5,000 limitation does not apply to commercial rentals, transient rentals, or services.

Resources

Florida Department of Revenue Service Centers

(as of November 2010)

Alachua Service Center
14107 US Highway 441 Ste 100
Alachua FL 32615-6390
386-418-4444 (ET)

Clearwater Service Center
Arbor Shoreline Office Park
19337 US Highway 19 N Ste 200
Clearwater FL 33764-3149
727-538-7400 (ET)

Cocoa Service Center
2428 Clearlake Rd Bldg M
Cocoa FL 32922-5731
321-504-0950 (ET)

Coral Springs Service Center
Florida Sunrise Tower
3111 N University Dr Ste 501
Coral Springs FL 33065-5096
954-346-3000 (ET)

Daytona Beach Service Center
1821 Business Park Blvd
Daytona Beach FL 32114-1230
386-274-6600 (ET)

Fort Myers Service Center
2295 Victoria Ave Ste 270
Fort Myers FL 33901-3871
239-338-2400 (ET)

Fort Pierce Service Center
Benton Building
337 N US Highway 1 Ste 207-B
Fort Pierce FL 34950-4255
772-429-2900 (ET)

Jacksonville Service Center
921 N Davis St A250
Jacksonville FL 32209-6829
904-359-6070 (ET)

Lake City Service Center
1401 W US Highway 90 Ste 100
Lake City FL 32055-6123
386-758-0420 (ET)

Lakeland Service Center
115 S Missouri Ave Ste 202
Lakeland FL 33815-4600
863-499-2260 (ET)

Leesburg Service Center
1415 S 14th St Ste 103
Leesburg FL 34748-6686
352-315-4470 (ET)

Maitland Service Center
Building 200 Ste 160
2301 Maitland Center Pkwy
Maitland FL 32751-4192
407-475-1200 (ET)

Marianna Service Center
4230 Lafayette St Ste D
Marianna FL 32446-8231
850-482-9518 (CT)

Miami Service Center
8175 NW 12th St Ste 119
Miami FL 33126-1828
305-470-5001 (ET)

Naples Service Center
3073 Horseshoe Dr S Ste 110
Naples FL 34104-6145
239-434-4858 (ET)

Panama City Service Center
210 N Tyndall Pkwy
Panama City FL 32404-6432
850-872-4165 (CT)

Pensacola Service Center
3670C N L St
Pensacola FL 32505-5217
850-595-5170 (CT)

Port Richey Service Center
6709 Ridge Rd Ste 300
Port Richey FL 34668-6842
727-841-4407 (ET)

Sarasota Service Center
Sarasota Main Plaza
1991 Main St Ste 240
Sarasota FL 34236-5940
941-361-6001 (ET)

Tallahassee Service Center
267 John Knox Rd Ste 200
Tallahassee FL 32303-6692
850-488-9719 (ET)

Tampa Service Center
Ste 100
6302 E Martin Luther King Blvd
Tampa FL 33619-1166
813-744-6590 (ET)

West Palm Beach Service Center
2468 Metrocentre Blvd
West Palm Beach FL 33407-3105
561-640-2800 (ET)

CT—Central Time
ET—Eastern Time

For Information and Forms



Information and forms are available on our Internet site at:

www.myflorida.com/dor



To speak with a Department of Revenue representative, call Taxpayer Services, Monday through Friday, 8 a.m. to 7 p.m., ET, at 800-352-3671.



Persons with hearing or speech impairments may call our TDD at 800-367-8331 or 850-922-1115.



For a written reply to tax questions, write:
Taxpayer Services
Florida Department of Revenue
5050 W Tennessee St
Tallahassee FL 32399-0112

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- Tax Information Publications (TIPs).
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- Proposed rules, notices of rule development workshops, and more.

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FLORIDA'S UNEMPLOYMENT COMPENSATION BENEFIT FUNDING

Senate Subcommittee on Finance and Tax
January 12, 2011

UNEMPLOYMENT BENEFIT FUNDING

State Benefits	Federal Benefits				
26 Weeks	Tier 1 20 Weeks	Tier 2 14 Weeks	Tier 3 13 Weeks	Tier 4 6 Weeks	Ext. Benefits 20 Weeks
2010 - \$2.31 Billion	2010 - \$4.85 Billion				
As of 1/6/11, \$1.98 Billion Borrowed	No Borrowing Necessary; No Payback Required				

State Unemployment Tax Rates						
2011						
State	Wages Taxed	Minimum Rate	Minimum \$	Maximum Rate	Maximum \$	Employee Contribution
Alabama	\$8,000	2.25%	\$180.00	8.40%	\$672.00	No
Alaska	\$34,600	1.00%	\$346.00	5.40%	\$1,868.40	Yes (0.5%)
Arizona	\$7,000	0.02%	\$1.40	5.90%	\$413.00	No
Arkansas	\$12,000	1.00%	\$120.00	10.90%	\$1,308.00	No
California	\$7,000	1.50%	\$105.00	6.20%	\$434.00	No
Colorado	\$10,000	2.52%	\$252.00	11.02%	\$1,102.00	No
Connecticut	\$15,000	Available March				No
Delaware	\$10,500	3.10%	\$325.50	8.20%	\$861.00	No
Florida	\$7,000	1.03%	\$72.10	5.40%	\$378.00	No
Georgia	\$8,500	0.03%	\$2.55	7.29%	\$619.65	No
Hawaii	\$34,200	0.10%	\$34.20	5.40%	\$1,846.80	No
Idaho	\$33,300	0.96%	\$319.68	6.80%	\$2,264.40	No
Illinois	\$12,740	0.70%	\$89.18	8.40%	\$1,070.16	No
Indiana	\$9,500	0.70%	\$66.50	9.50%	\$902.50	No
Iowa	\$24,700	1.90%	\$469.30	9.00%	\$2,223.00	No
Kansas	\$8,000	0.00%	\$0.00	6.00%	\$480.00	No
Kentucky	\$8,000	1.00%	\$80.00	10.00%	\$800.00	No
Louisiana	\$7,700	0.11%	\$8.47	6.20%	\$477.40	No
Maine	\$12,000	0.86%	\$103.20	7.95%	\$954.00	No
Maryland	\$8,500	2.20%	\$187.00	13.50%	\$1,147.50	No
Massachusetts	\$14,000	2.83%	\$396.20	12.27%	\$1,717.80	No
Michigan	\$9,000	0.06%	\$5.40	10.30%	\$927.00	No
Minnesota	\$27,000	3.50%	\$945.00	11.05%	\$2,983.50	No
Mississippi	\$14,000	Available January 15th				No
Missouri	\$13,000	Varies				No
Montana	\$26,300	0.82%	\$215.66	6.12%	\$1,609.56	No
Nebraska	\$9,000	0.00%	\$0.00	8.66%	\$779.40	No
Nevada	\$26,600	0.30%	\$79.80	5.40%	\$1,436.40	No
New Hampshire	\$12,000	1.10%	\$132.00	9.50%	\$1,140.00	No
New Jersey	\$29,600	1.50%	\$444.00	5.40%	\$1,598.40	Yes (0.385%)
New Mexico	\$20,800	0.03%	\$6.24	5.40%	\$1,123.20	No
New York	\$8,500	Available February				No
North Carolina	\$19,700	0.00%	\$0.00	6.84%	\$1,347.48	No
North Dakota	\$25,500	0.20%	\$51.00	1.52%	\$387.60	No
Ohio	\$9,000	0.70%	\$63.00	9.60%	\$864.00	No
Oklahoma	\$18,600	0.30%	\$55.80	9.20%	\$1,711.20	No
Oregon	\$32,300	2.20%	\$710.60	5.40%	\$1,744.20	No
Pennsylvania	\$8,000	2.68%	\$214.16	10.82%	\$865.89	Yes (0.8%)
Rhode Island	\$19,000	1.69%	\$321.10	9.79%	\$1,860.10	No
South Carolina	\$10,000	1.03%	\$103.00	11.28%	\$1,128.00	No
South Dakota	\$11,000	0.00%	\$0.00	8.50%	\$935.00	No
Tennessee	\$9,000	1.10%	\$99.00	10.60%	\$954.00	No
Texas	\$9,000	0.78%	\$70.20	8.25%	\$742.50	No
Utah	\$28,600	0.40%	\$114.40	9.40%	\$2,688.40	No
Vermont	\$13,000	1.30%	\$169.00	8.40%	\$1,092.00	No
Virginia	\$8,000	3.17%	\$253.60	6.87%	\$549.60	No
Washington	\$37,300	1.36%	\$507.28	6.00%	\$2,238.00	No
Washington D.C.	\$9,000	1.60%	\$144.00	7.00%	\$630.00	No
West Virginia	\$12,000	1.50%	\$180.00	8.50%	\$1,020.00	No
Wisconsin	\$13,000	0.27%	\$35.10	9.80%	\$1,274.00	No
Wyoming	\$22,300	0.67%	\$149.41	10.00%	\$2,230.00	No
	Average	1.11%	\$174.16	8.20%	\$1,212.81	