

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: Community Affairs Committee

BILL: CS/SB 1624

SPONSOR: Community Affairs Committee and Senator Campbell

SUBJECT: State Excise Tax on Property Insurance Premiums

DATE: April 5, 2005

REVISED: _____

ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1. Vickers	Yeatman	CA	Fav/CS
2. _____	_____	BI	_____
3. _____	_____	GO	_____
4. _____	_____	GE	_____
5. _____	_____	_____	_____
6. _____	_____	_____	_____

I. Summary:

This committee substitute (CS) allows a municipality to receive the excise tax moneys for firefighter pension plans from another municipality when there is an interlocal agreement in place to provide fire protection services.

This CS substantially amends sections 174.041 and 175.101 of the Florida Statutes.

II. Present Situation:

Chapter 175, F.S., provides funding for municipal and special district firefighters' pension plans. This chapter was originally enacted in 1939 to provide an incentive -- access to premium tax revenues -- to Florida cities to encourage them to establish retirement plans for firefighters.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.

Pension plan funding comes from four sources: net proceeds from an excise tax levied by the city upon property and casualty insurance companies (known as the "premium tax"); employee contributions; other revenue sources; and mandatory payments by the city of any extra amount needed to keep the plan solvent. 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 subject to ch. 175, F.S.

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 from policyholders on all premiums collected on property insurance policies covering property within its corporate limits. The insurance agent is required to identify the fire service provider on the property owner's application for insurance. The insurance company is required to compile the information received from the insurance agent, report the premiums, and pay the excise tax on its annual insurance premium tax return. The DOR processes each insurer's insurance premium tax return and, based solely on the information in the insurance premium tax return, distributes the dollars collected to the Firefighters' Pension Trust Fund. The DOR also provides the insurance premium tax return data for the Firefighters' Pension Trust Fund to the Division of Retirement in the DMS.

With the exception of consolidated governments, municipalities are only eligible for state excise taxes collected on premiums sold covering property within their municipal limits.

III. Effect of Proposed Changes:

The CS amends s. 175.041, F.S., to provide that any municipality that has entered into an interlocal agreement to provide fire protection services to any other incorporated municipality may be eligible to receive the premium taxes reported for such other municipality. In order to be eligible to receive the premium taxes, the municipality providing the fire services must notify the Division of Retirement that it has entered into an interlocal agreement with another municipality. The municipality receiving the fire services is authorized to enact an ordinance levying the tax as provided in s. 175.101, F.S. Upon receipt of copies of the interlocal agreement and the municipal ordinance levying the tax, the Division of Retirement is authorized to distribute premium taxes to the municipality providing fire services.

The CS amends s. 175.101, F.S., to allow municipalities that have an interlocal agreement regarding fire protection services with another municipality to be eligible to receive the premium tax from the participating municipality.

According to DMS representatives, this provision would enable a limited number of municipalities that currently provide fire protection services to smaller, neighboring municipalities pursuant to an interlocal agreement to receive the insurance premium taxes associated with those services.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

The CS will allow a municipality to receive the premium tax for firefighter pension plans from another municipality when there is an interlocal agreement in place to provide fire protection services.

According to DMS, this proposal would shift a indeterminate amount of insurance premium tax revenues from the state's General Revenue Fund to municipalities that provide fire protection services to other cities pursuant to an interlocal agreement.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.

VIII. Summary of Amendments:

None.

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