

The Florida Senate

**PROFESSIONAL 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: Finance and Tax Committee

BILL: CS/SB 1778

INTRODUCER: Finance and Tax Committee and Senator Alexander

SUBJECT: Charter County Transit System Surtax

DATE: April 24, 2007

REVISED: \_\_\_\_\_

| ANALYST    | STAFF DIRECTOR | REFERENCE | ACTION                 |
|------------|----------------|-----------|------------------------|
| 1. Eichin  | Meyer          | TR        | <b>Favorable</b>       |
| 2. Herrin  | Yeatman        | CA        | <b>Fav/1 amendment</b> |
| 3. Keating | Johansen       | FT        | <b>Fav/CS</b>          |
| 4. _____   | _____          | TA        | _____                  |
| 5. _____   | _____          | _____     | _____                  |
| 6. _____   | _____          | _____     | _____                  |

**I. Summary:**

CS/SB 1778 renames the Charter County Transit System Surtax, the “Charter County Transportation System Surtax”. The bill allows proactive eligibility for twelve existing charter counties by removing a provision requiring charter adoption prior to January 1, 1984. The bill also allows proceeds of the surtax to be remitted to transit authorities for specified uses.

In addition, the bill removes all specific local option surtax caps and replaces them with a 2% cap to apply to all local option surtaxes.

This bill substantially amends s. 212.055, F.S.

**II. Present Situation:**

**Florida's Charter Counties**

Article VIII, s. 1(g) of the State Constitution, provides “counties operating under county charters shall have such power of self government as is provided by general or special law.” Those counties operating under a county charter have all powers of self-government not inconsistent with general law, or special law approved by the vote of the electors.<sup>1</sup> Currently, 19 of Florida’s counties are charter counties. Collectively, charter counties are home to more than 75 percent of Florida’s residents.

<sup>1</sup> Art. VIII, § 1(g), Fla. Const.

| County       | Year Charter Adopted | Number of Municipalities | 2006 Population |
|--------------|----------------------|--------------------------|-----------------|
| Alachua      | 1987                 | 9                        | 240,764         |
| Brevard      | 1994                 | 15                       | 531,970         |
| Broward      | 1975                 | 31                       | 1,740,987       |
| Charlotte    | 1986                 | 1                        | 154,030         |
| Clay         | 1991                 | 4                        | 169,623         |
| Columbia     | 2002                 | 2                        | 61,466          |
| Duval        | 1968                 | 5                        | 861,150         |
| Hillsborough | 1983                 | 3                        | 1,131,546       |
| Lee          | 1996                 | 5                        | 549,442         |
| Leon         | 2002                 | 1                        | 271,111         |
| Miami-Dade   | 1957                 | 34                       | 2,422,075       |
| Orange       | 1987                 | 13                       | 1,043,437       |
| Osceola      | 1992                 | 2                        | 235,196         |
| Palm Beach   | 1985                 | 37                       | 1,265,900       |
| Pinellas     | 1980                 | 24                       | 947,744         |
| Polk         | 1998                 | 17                       | 541,840         |
| Sarasota     | 1971                 | 4                        | 367,867         |
| Seminole     | 1989                 | 7                        | 411,744         |
| Volusia      | 1971                 | 16                       | 494,649         |

### Discretionary Sales Surtaxes

Section 212.055, F.S., authorizes counties to impose seven local discretionary sales surtaxes (taxes) on all transactions occurring in the county subject to the state tax imposed on sales, use, services, rental, and admissions. The sales amount is not subject to the tax if the property or service is delivered within a county that does not impose a surtax. In addition, the tax is not subject to any sales amount above \$5,000 on any item of tangible personal property or on long distance telephone service. This \$5,000 cap does not apply to the sale of any other service. The Department of Revenue (DOR) is responsible for administering, collecting, and enforcing all sales taxes. Collections received by the DOR are returned monthly to the county imposing the tax.

Tax rates, duration levied, method of imposition, and proceed uses are individually specified in s. 212.055, F.S. The table below identifies the seven taxes, the rate limits, and the number of counties authorized to impose and the number imposing the tax.

| Tax                                    | Authorized Levy (%)      | Counties Authorized | Counties Levying |
|--|--------------------------|---------------------|------------------|
| Charter County Transit System Surtax   | up to 1%                 | 7                   | 2                |
| Local Government Infrastructure Surtax | 0.5% or 1%               | 67                  | 21               |
| Small County Surtax                    | 0.5% or 1%               | 31                  | 25               |
| Indigent Care & Trauma Center Surtax   | up to 0.5%               | 4                   | 1                |
| County Public Hospital Surtax          | 0.5% (Miami-Dade County) | 1                   | 1                |
| School Capital Outlay Surtax           | up to 0.5%               | 67                  | 16               |
| Voter-Approved Indigent Care Surtax    | 0.5% or 1%               | 61                  | 3                |

Source: [2007 Florida Tax Handbook, Including Fiscal Impact of Potential Changes](#)

### Local Option Sales Surtax Caps

The maximum combined rate for the Local Government Infrastructure Surtax, the Small County Surtax, the Indigent Care and Trauma Center Surtax, and the County Public Hospital Surtax, is 1 percent. In counties with a publicly supported medical school levying the Voter-Approved Indigent Care Surtax, the combined rate is 1.5 percent. The maximum combined rate for counties authorized to levy the Charter County Transit System Surtax is 2.5 percent. The School Capital Outlay Surtax is capped at 0.5 percent, and is not included in these tax rate caps.

### Charter County Transit System Surtax

The Charter County Transit System Surtax, was created by the Legislature in 1976 to allow charter counties to levy a maximum 1 percent sales surtax to finance the development, construction, and operation of fixed guideway, rapid transit systems. This section of law has been amended several times since it was created, so that currently only counties that adopted a charter prior to January 1, 1984, may seek to levy the surtax. The proposal to levy the surtax and create a trust fund for surtax proceeds must appear on a ballot and receive the approval of a majority of the county electorate. Further amendments to the statute expanded the permitted use of the revenues to finance additional types of transportation infrastructure, yielding the following permitted uses:

- development, operation, maintenance, and expansion of bus or fixed guideway systems;
- development, construction, operation, or maintenance of roads or bridges; or
- pledges to bonds issued for these purposes.

A charter county may deposit the surtax revenues into the trust fund, remit the revenues to an expressway or transportation authority, or apply them directly to the permitted uses. The proceeds may also be distributed by interlocal agreement to municipalities or an expressway or transportation authority to finance the permitted uses.

Seven counties are currently eligible to levy the surtax: Broward, Duval, Hillsborough, Miami-Dade, Pinellas, Sarasota and Volusia. Only two counties have levied the surtax: Duval (since 1989), and Miami-Dade (since 2003). Each county levies a half-cent sales surtax. The maximum combined rate for counties authorized to levy the Charter County Transit System Surtax is 2.5 percent.<sup>2</sup> According to the DOR, in FY 2005 the surtax in those two counties generated \$211,204,032.

### **III. Effect of Proposed Changes:**

**Section 1** of the bill amends s. 212.055(1), F.S., to rename the Charter County Transit System Surtax as the “Charter County Transportation System Surtax.” It allows all charter counties to levy the surtax by removing the date by which a charter must be adopted. This expands the number of counties currently eligible to levy the surtax from 7 to 19 counties. The bill also allows surtax proceeds to be remitted to transit authorities.

The various local option sales surtax caps in s. 212.055, F.S., are removed and replaced with a 2 percent cap to apply to all local option sales surtaxes.

**Section 2** of the bill provides effective date of July 1, 2007.

### **IV. Constitutional Issues:**

#### **A. Municipality/County Mandates Restrictions:**

None.

#### **B. Public Records/Open Meetings Issues:**

None.

#### **C. Trust Funds Restrictions:**

None.

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<sup>2</sup> In addition to the Charter County Transit System Surtax, the seven charter counties are eligible to levy the Local Government Infrastructure Surtax at 0.5% or 1% and the Indigent Care & Trauma Center Surtax up to 0.5%. (Miami-Dade imposes the 0.5% Public Hospital Surtax in lieu of this surtax.) The maximum rate excludes the School Capital Outlay Surtax.

## V. Economic Impact and Fiscal Note:

### A. Tax/Fee Issues:

The bill authorizes all charter counties to levy the Charter County Transportation System Surtax up to the rate of 1 percent subject to approval by referendum.

The bill replaces the various local option sales surtax caps in s. 212.055, F.S., with a 2 percent cap to apply to all local option sales surtaxes. There are no counties currently at 2 percent.

### B. Private Sector Impact:

Should a charter county enact the Charter County Transportation System Surtax, consumers in that county would be subject to an additional tax of up to one percent, capped at the first \$5,000 of a large number of goods. The surtax imposed on taxable services is not capped.

### C. Government Sector Impact:

If every charter county made eligible by the provisions of this bill levied the Charter County Transportation System Surtax at the maximum rate of 1 percent, revenues raised statewide would equal an estimated \$1,084,922,581. Individual estimates for charter counties levying the surtax are shown in the following table:

| Estimated Revenues for 1%<br>Local Sales Tax        |               |
|---|---------------|
| Based on Local Fiscal Year Ending<br>Sept. 30, 2007 |               |
| ALACHUA   | 48,039,307    |
| BREVARD   | 71,947,845    |
| BROWARD*  | 301,534,969   |
| CHARLOTTE   | 25,811,419,   |
| CLAY  | 19,616,371    |
| COLUMBIA  | 8,165,025     |
| DUVAL**   | 153,257,441   |
| HILLSBOROUGH*                                       | 219,509,477   |
| LEE   | 121,474,107   |
| LEON  | 40,513,295    |
| MIAMI-DADE**  | 373,973,577   |
| ORANGE  | 348,610,590   |
| OSCEOLA   | 42,119,576    |
| PALM BEACH  | 237,473,241   |
| PINELLAS*   | 140,925,560   |
| POLK  | 73,905,295    |
| SARASOTA*   | 68,622,651    |
| SEMINOLE  | 73,057,929    |
| VOLUSIA*  | 75,139,895    |
| Newly Eligible<br>Statewide Total                   | 1,084,922,581 |

Source: 2006 Local Government Financial Information Handbook.

\* Currently eligible (Not included in Statewide Total)

\*\* Currently levying surtax @ 0.5% (Not included in Statewide Total)

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

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

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## **VIII. Summary of Amendments:**

None.

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