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: PCS/SB 1020

INTRODUCER: Finance and Tax Committee and Senate Haridopolos

SUBJECT: Ad Valorem Taxation

DATE: April 15, 2007 REVISED:

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Fournier	Johansen	FT	**Pre-meeting**
2.			CA	
3.			GA	
4.			RC	
5.				
6.				

I. Summary:

The proposed committee substitute limits the millage rates that may be levied by cities and counties, and prohibits participation in the allocation of the half-cent sales tax revenue for the following fiscal year for any local government that exceeds the allowable millage rate.

The proposed committee substitute substantially amends sections 200.001, 200.065, and 218.63, Florida Statutes.

II. Present Situation:

Ad valorem taxation in Florida

The Florida Constitution reserves ad valorem taxation to local governments. The state is prohibited from levying ad valorem taxes on real estate and tangible personal property.[1] Local governments may levy ad valorem taxes subject to the following limitations:

- Ten mills for county purposes,
- Ten mills for municipal purposes,
- Ten mills for school purposes,
- One mill for water management purposes, except in Northwest Florida where the limit is .05 mill, and
- Millage authorized by law and approved by voters for special districts.

Taxes levied for the payment of bonds and taxes levied for periods not longer than two years, when authorized by a vote of the electors, are not subject to the millage limitations. [2]

[1] Section 1.(a), Art. VII, State Constitution

Determination of Millage Rates

Chapter 200, F.S., provides the process by which local governments determine the ad valorem tax millage rates for each year. Section 193.023, F.S., requires property appraiser to complete their assessments of all property by July 1 of each year. In the same period, local taxing authorities are preparing budgets for their upcoming fiscal year, which begins October 1. The property appraiser must calculate, for each taxing authority, the rolled-back rate, which is the millage rate that will provide the same property tax revenue as was levied during the prior year if it is applied to the property that was on the tax roll last year. When property values increase, the rolled back rate is lower than the prior year's rate. New construction and other population-driven changes in the tax roll are not included in the rolled-back rate calculation, even though the millage rate is applied to all property, including new construction.

Each taxing authority prepares a tentative budget and computes a proposed millage rate necessary to fund that tentative budget. The property appraiser mails to each taxpayer a notice of proposed taxes (TRIM Notice) based on these proposed millage rates. In addition to the notices mailed to all taxpayers, local taxing authorities must advertise a NOTICE OF PROPOSED TAX INCREASE in a local newspaper if it has tentatively adopted a millage rate greater than the rolled-back rate. Even if the millage rate is the same as or lower than the prior year, if it is higher than the rolled-back rate it must be called a tax increase, and advertised as such.

Revenue Sharing

Florida has three main revenue sharing programs through which the state shares its revenues with local governments. The major source of revenue shared with local governments in all of these programs is the state sales tax. Under Part VI of ch. 218, F.S., the Local Government Half-cent Sales Tax Program, counties and municipalities receive 8.9 percent (approx.) of sales tax collections and collections of the state portion of the communications services tax remitted by dealers within each county. For fiscal year 2006-07 counties are expected to receive $1.2 billion and municipalities are expected to receive $600 million. Distributions to each eligible county and municipality are based on the taxes remitted by dealers in each county and then apportioned between the county and the cities within each county based on population.

III. Effect of Proposed Changes:

Section 1 creates a definition of "per capita Florida Personal Income" in s. 200.001, F.S. This definition is used in the calculation of maximum allowable millage rates in the second section of the proposed committee substitute.

Section 2 restricts counties' and municipalities' ad valorem tax levies. In 2007-08 they are limited to the greater of:

- The ad valorem tax revenue levied in the 2006-07 fiscal year, or
- The 2005-06 revenues grown by new construction and per capita Florida Personal Income for 2 years.

---

[2] Section 9., Art VII, State Constitution.

In 2008-09 they are limited to the greater of:

- The 2007-08 levy, grown by new construction, or
- Eighty-five percent of the revenue that would be levied by the 2006-07 millage rates applied to the 2008-09 tax roll.

Starting in 2009-10, increases in the maximum city and county property tax revenues are limited to growth in population (measure by new construction) and per capita Florida Personal Income. The limit may be exceeded by a 2/3 vote of the governing body or if approved by a referendum of the voters, and the amount so approved becomes the new maximum for purposes of the following fiscal year.

Per capita Florida Personal Income grew by 4.5 percent in 2005 and 4.8 percent in 2006. Expected growth rates for 2007 through 2010 are 3.9 percent, 4.5 percent, 5.2 percent, and 5.4 percent.

Tax increment finance payments made by a local government are excluded from the calculation of maximum millage rates. Taxes levied for payment of bonds or levied for up to 2 years when authorized by the voters, and taxes levied by a municipality or municipal services taxing unit that has been levying property taxes for less than 5 years are not subject to the millage rate limitation.

Section 3 amends s. 218.63, F.S., the say that any county or municipality that exceeds the maximum millage rate allowed by s. 200.065(5) will not receive funds from the half-cent revenue-sharing program for the next fiscal year.

Sections 4 – 7 correct cross-references.

Section 8 provides a July 1, 2007 effective date.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

The proposed committee substitute reduces the authority of municipalities and counties to raise revenues in the aggregate, as such authority existed on February 1, 1989. Therefore, if proposed committee substitute becomes a bill, the bill is subject to the requirements of section 18, Article VII, of the State Constitution, and will require a two-thirds vote of the membership of each house of the Legislature.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

The millage roll-back and limitation on growth imposed by this bill are expected to reduce county and municipal ad valorem tax revenue by $1,136 million in 2007-08, and by $1,820 in 2008-09, when compare to levies at current millage rates.

B. Private Sector Impact:

Future property tax levies will be reduced by the revenue roll-back and limitation on future growth.

C. Government Sector Impact:

This bill will result in counties and municipalities having less taxing authority in 2007-08 and 2008-09. In 2009-10 and thereafter, tax levies in excess of the limitation on growth will require approval of a 2/3 vote of the governing body of the county or municipality or approval by the voters in a referendum.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Summary of Amendments:

None.