



---

# Ways and Means Committee

Tuesday, January 10, 2017

1:00 p.m. – 3:00 p.m.

Morris Hall

MEETING PACKET

# The Florida House of Representatives

## Ways and Means Committee



**Richard Corcoran**  
Speaker

**Jim Boyd**  
Chair

### AGENDA

January 10, 2017  
1:00 p.m. – 3:00 p.m.  
Morris Hall

- I. Call to Order/Roll Call
- II. Chair's Opening Remarks
- III. Committee Purview with Examples of Recent Committee Work (Staff Presentation)
- IV. State Tax & Fee Structure (Staff Presentation)
- V. Local Government Tax & Fee Structure (Staff Presentation)
- VI. Closing Remarks and Adjournment



**Florida House of Representatives**  
**Ways and Means Committee Overview**  
**January 2017**

## **Contents**

Committee Jurisdiction .....	3
Committee Staff.....	3
Committee Contact Information .....	3
Recent Committee Legislative History.....	4
<b>Tax Packages</b> .....	<b>4</b>
<b>State Taxes</b> .....	<b>4</b>
<b>Local Taxes</b> .....	<b>5</b>

## Committee Jurisdiction

- The purview of the Ways and Means Committee encompasses all state and local taxes and select non-tax revenue sources.
- In general, the committee addresses statutory and constitutional policy regarding tax rates, tax base design, and collection and enforcement parameters.
- The committee also has some responsibility for debt financing policy and miscellaneous revenue issues, such as gaming revenues.
- In terms of policy focus, the committee's work may entail activities such as furtherance of tax equity, changing funding levels for the budget, easing tax administration burdens for state and private entities, or enhancing enforcement capabilities.
- Further, committee staff represents the House of Representatives on the economic and revenue consensus estimating conferences.

## Committee Staff

- Don Langston, Staff Director.
- Rosa Dorsey, Administrative Lead.
- Vince Aldridge, Attorney.
- Ryan Dugan, Policy Analyst.
- Michael Dobson, Attorney.
- Jason Schmiede, Intern.

## Committee Contact Information

- Room 221 Capitol
- 850-717-4812
- E-mails:
  - [don.langston@laspbs.state.fl.us](mailto:don.langston@laspbs.state.fl.us)
  - [rosa.dorsey@laspbs.state.fl.us](mailto:rosa.dorsey@laspbs.state.fl.us)

## Recent Committee Legislative History

The following is a selection of legislation heard by the Finance & Tax Committee during the 2015 and 2016 legislative sessions. For each bill listed, there is an indication as to whether or not the bill was only heard in committee, only passed the House, or passed both the House and Senate (i.e., became law).

### Tax Packages

HB 33-A Taxation (became law, 2015)—Provided a wide range of tax reductions designed to directly impact both households and businesses. The bill provided \$452 million in permanent and temporary tax cuts. Some of the changes included:

- A permanent 1.73 percentage point reduction in the communications services tax rate;
- New sales tax exemptions for certain items used in agricultural production, certain k - 12 school concessions sales, gun club memberships, and motor vehicles brought to Florida by military service members deployed outside of the U.S.;
- A “back-to-school” sales tax holiday;
- Extension or expansion of corporate income tax credits for brownfields clean-up, research and development spending, and certain donations to affordable housing programs.

HB 7099 Taxation (became law, 2016)—Authorized numerous tax reductions and modifications. The bill provided \$129 million in permanent and temporary tax cuts. Some of the changes included:

- Permanent extension of the sales tax exemption on manufacturing machinery and equipment;
- Sales tax exemption for sales of food and drink by veterans’ service organizations to their members;
- A “back-to-school” sales tax holiday;
- Clarification of application of certain local property tax economic development exemptions in areas that were enterprise zones;
- Update of statutory references to the federal Internal Revenue Code to maintain the linkage between Florida’s corporate income tax code and that of the federal government; and
- Elimination of a current exemption from and a reduction of the aviation fuel tax rate.

### State Taxes

CS/HB 595 Aviation Fuel Tax Reform (passed F&T, 2015)—Replaced a current tax exemption enjoyed by five airlines operating in Florida with a new tax incentive program to reward and encourage more airline service in Florida.

HB 7009 Corporate Income Tax/“Piggyback” Bill (became law, 2015)—Annual update of Florida statute references to the federal Internal Revenue Code in order to keep Florida’s corporate income tax code current with relevant federal law changes.

CS/HB 451 Entertainment Industry Incentives (passed F&T, 2015)—Proposed significant restructuring of the processes by which productions may receive tax credits under Florida’s Entertainment Industry Financial Incentive Program.

CS/HB 707 Fantasy Contests (passed F&T, 2016)—Set forth a regulatory structure governing the operation of fantasy sports contests. Clarified that operation of such contests would be exempt from certain provisions of ch. 849, F.S., related to gambling.

CS/CS/HB 1233 Gaming (passed F&T, 2015)—Would make numerous changes to pari-mutuel wagering, slot machine and other gaming regulation and taxation. Included elimination of live racing requirements for greyhound permitholders to conduct other activities, reduced tax rates for greyhound wagering, limiting the number of pari-mutuel wagering operating licenses, and conditionally allowing certain additional slot machine facilities.

CS/HB 7109 Gaming (passed F&T, 2016)—Would ratify the 2015 Gaming Compact negotiated between the Seminole Tribe and the Governor, contingent on certain renegotiated provisions. Would also make numerous changes to pari-mutuel wagering, slot machine and other gaming regulation and taxation. Included elimination of live racing requirements for greyhound permitholders to conduct other activities, reduced tax rates for greyhound wagering, limiting the number of pari-mutuel wagering operating licenses, and conditionally allowing certain additional slot machine facilities.

### **Local Taxes**

CS/HB 209 Local Sales Tax/Emergency Fire Rescue Services & Facilities Surtax (became law, 2015)—Relating to a pre-existing local option sales tax, the bill revised the method for sharing surtax revenues among affected local governments and relaxed the conditions that must be met before a local referendum on the tax can be held.

CS/HB 1297 Local Sales Tax/Pension Liability Surtax (became law, 2016)—Allows a county, with voter approval, to levy a local option sales tax at a rate of up to 0.5 percent for the purpose of funding underfunded local defined benefit retirement systems. Numerous preconditions and restrictions apply.

CS/CS/HB 791 Local Sales Tax/Voter Approval Thresholds (passed House, 2016)—Requires referenda on any of a number of current local option sales taxes to be held either during a general election or during a primary or presidential primary election. Referenda during a special election are prohibited. Also, referenda held during a primary election must receive at least 60 percent voter approval.

HB 213 Property Tax/Property Appraiser Budgets (became law, 2015)—Clarifies that a county commission is obligated to fund the property appraiser’s budget at the level approved by Department of Revenue, even during any period of appeal of such budget to the Administration Commission.

CS/CS/HB 361 Property Tax/Military Housing Exemption (became law, 2015)—Clarifies that improvements to land owned by the U.S. government and used primarily for housing U.S. military personnel are exempt from property tax.

CS/HB 833 Property Tax/Downtown Development Districts (became law, 2015)—Clarifies application of current law and explicitly authorizes certain current downtown development districts to levy property taxes at a rate of up to 4.75 mills (instead of the 5 mills already allowed).

CS/HJR 275 Property Tax/Senior, Low-Income Homestead Exemption (on ballot, 2016)—Constitutional amendment to adjust the current local option additional homestead exemption for certain low-income persons aged 65 or older. Assures that an otherwise qualified person will not lose their exemption solely because of property value appreciation.

CS/CS/HB 499 Property Taxes (became law, 2016)—Made numerous changes relating to property tax administration and the value adjustment board (VAB) process. Some of the changes include: a time frame within which VABs must complete their work each year; revisions to requirements for representation of a petitioner before the VAB; lowered interest rates payable on certain tax underpayments and refunds; and modified procedures for collecting back taxes if certain assessment limitations are discovered to have been improperly granted.

CS/HJR 1009 Property Tax/Disabled First Responders (on ballot, 2016)—A constitutional amendment to allow the Legislature, by general law, to grant full or partial homestead tax exemptions to certain total and permanently disabled first responders.

HB 7023 Property Tax/Deployed Military Exemption (became law, 2016)—Updates the statutory list of military operations for which service members may qualify for partial or full homestead exemptions, to the extent they were deployed overseas in those operations in the prior year. The bill allows the exemption for deployments in both 2014, 2015 and going forward.

CS/HJR 193 Property Tax/Renewable Energy Device Exemption (on ballot, 2016)—A constitutional amendment that allows the Legislature, by general law, to exempt from property taxes on tangible personal property and real property, the value of renewable energy source devices, whether installed on residential or non-residential property. This would expand more limited constitutional authority currently available only for residential property.

CS/HB 773 Special Assessments/Agricultural Lands (became law, 2016)—Prohibits counties and cities from levying special assessments for fire protection on lands classified as agricultural for property tax purposes. The prohibition does not apply to portions of agricultural land that contain certain types of structures.

Florida's State Tax  
& Fee Structure

Florida House of Representatives

Ways and Means Committee

January 2017

# **FLORIDA'S STATE TAX & FEE STRUCTURE**

# OUTLINE

---

- ✘ Taxes and fees anchor the state revenue system
- ✘ System complexity
- ✘ System history & dynamics
- ✘ Florida vs. other states

# WHY IS THIS INFORMATION IMPORTANT?

- ✘ Taxes & fees = main determinants of state government size
  
- ✘ System structure affects:
  - + Who pays for government and how
  - + (Dis)incentives for economic growth and development
  - + Cost of administration
  - + Predictability and adequacy of revenues

# STATE TAXES & FEES—WHERE DO THEY FIT?

<b>Florida State Government Revenues</b>		
	<b>FY 2015-16</b>	
	<b>Receipts</b>	<b>Percent of</b>
	<b>(Billion of \$)</b>	<b>Total</b>
<b>Taxes, Fees &amp; Charges*</b>	<b>43.3</b>	<b>55.4%</b>
Federal, County & Other Grants	25.7	32.9%
Lottery Ticket Sales	5.0	6.4%
Investment Earnings	0.3	0.4%
Fines, Forfeitures, Judgments	0.9	1.2%
Unclaimed Property	0.5	0.6%
Other	2.4	3.1%
<b>TOTAL</b>	<b>78.2</b>	
*Net of General Revenue Fund Refunds		

# FLORIDA'S TAX & FEE SYSTEM TODAY

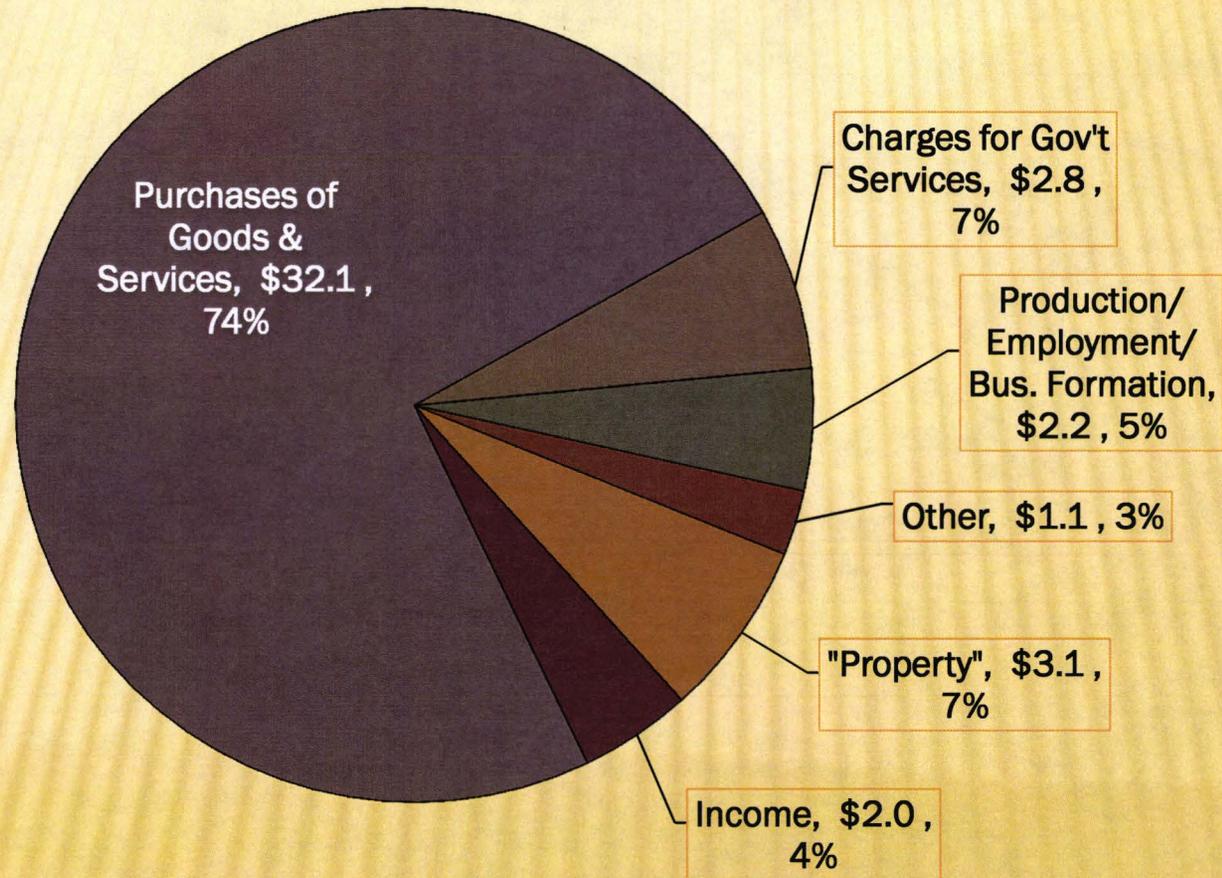
- Established in law
  - Florida Constitution
  - Statutes/Laws of Florida/Rules
  - Case Law
  - Federal Law (statutory and constitutional)

# FLORIDA'S TAX & FEE SYSTEM TODAY

- What does Florida's system look like?
  - Purchases of Goods and Services
  - Income
  - Employment/Production/Business Formation
  - Charges for Government Services/Privileges/Regulation
  - Ownership or Transfer of Property

# FLORIDA'S TAX & FEE SYSTEM TODAY

Florida's Taxes and Fees: \$43.3 Billion, FY 2015-16



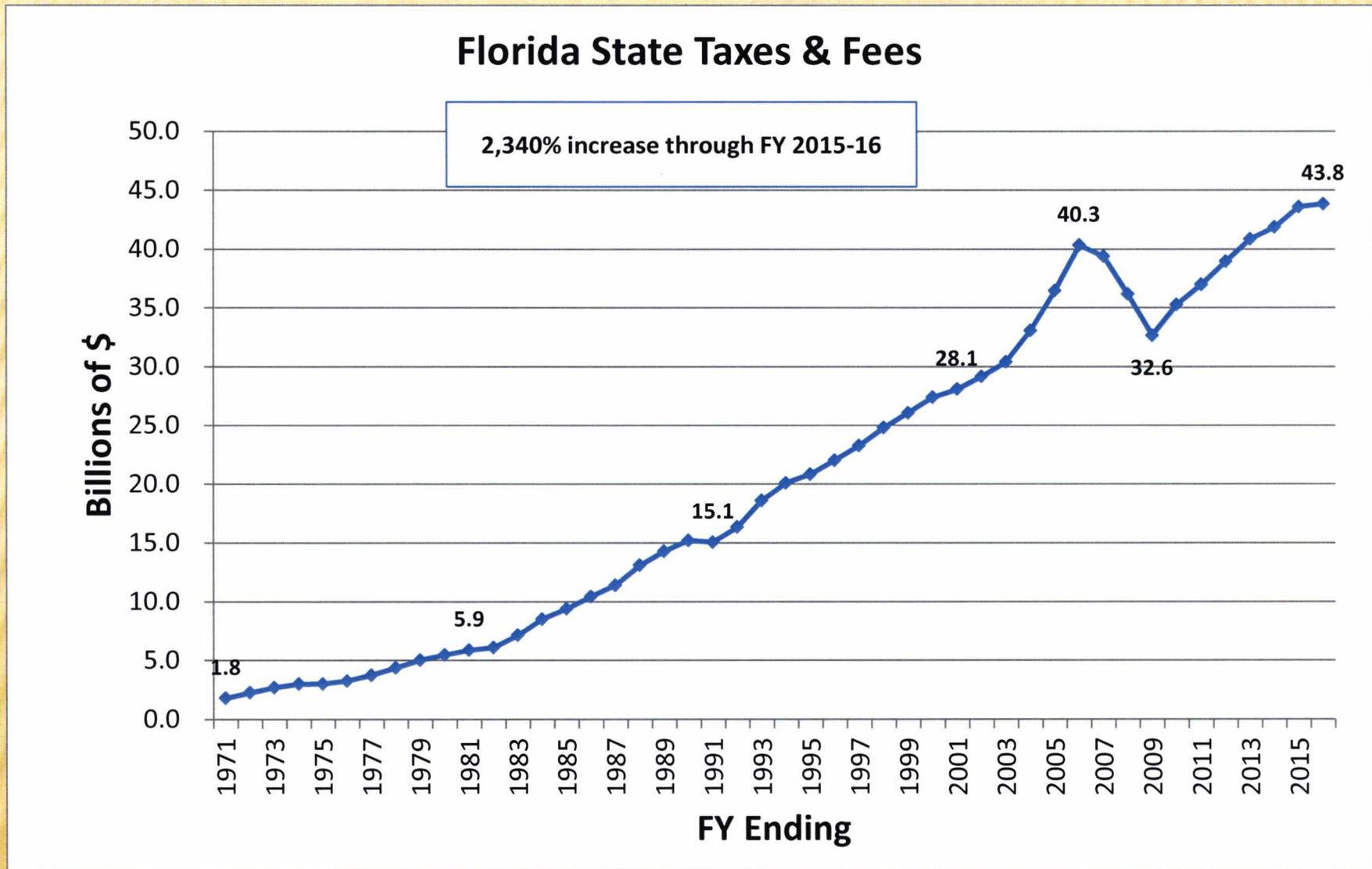
# FLORIDA'S TAX & FEE SYSTEM TODAY

	<b>2015-16</b>	
	<b>(mil \$)</b>	<b>% of Total</b>
Sales and Use Tax*	24,031.3	55.5%
Motor Fuel Taxes	2,557.8	5.9%
Tobacco Taxes	1,215.2	2.8%
Gross Receipts Tax	1,157.7	2.7%
Insurance Premiums Tax*	859.6	2.0%
Communications Services Tax	657.2	1.5%
Hospital Tax	558.1	1.3%
Beverage Licenses and Taxes	406.9	0.9%
Pollutant Taxes	253.7	0.6%
Slot Machine Fees, Licenses, and Taxes	205.6	0.5%
Other Purchases of Goods & Services	153.2	0.4%
<b>SUBTOTAL: PURCHASES OF GOODS/SERVICES</b>	<b>32,056.3</b>	<b>74.1%</b>
Documentary Stamp Tax (Part)	1,569.9	3.6%
Motor Veh. & Mobile Home Licenses	1,209.2	2.8%
Intangible Personal Property Tax	338.7	0.8%
<b>SUBTOTAL: PROPERTY-BASED</b>	<b>3,117.8</b>	<b>7.2%</b>
* Net of General Revenue Refunds		

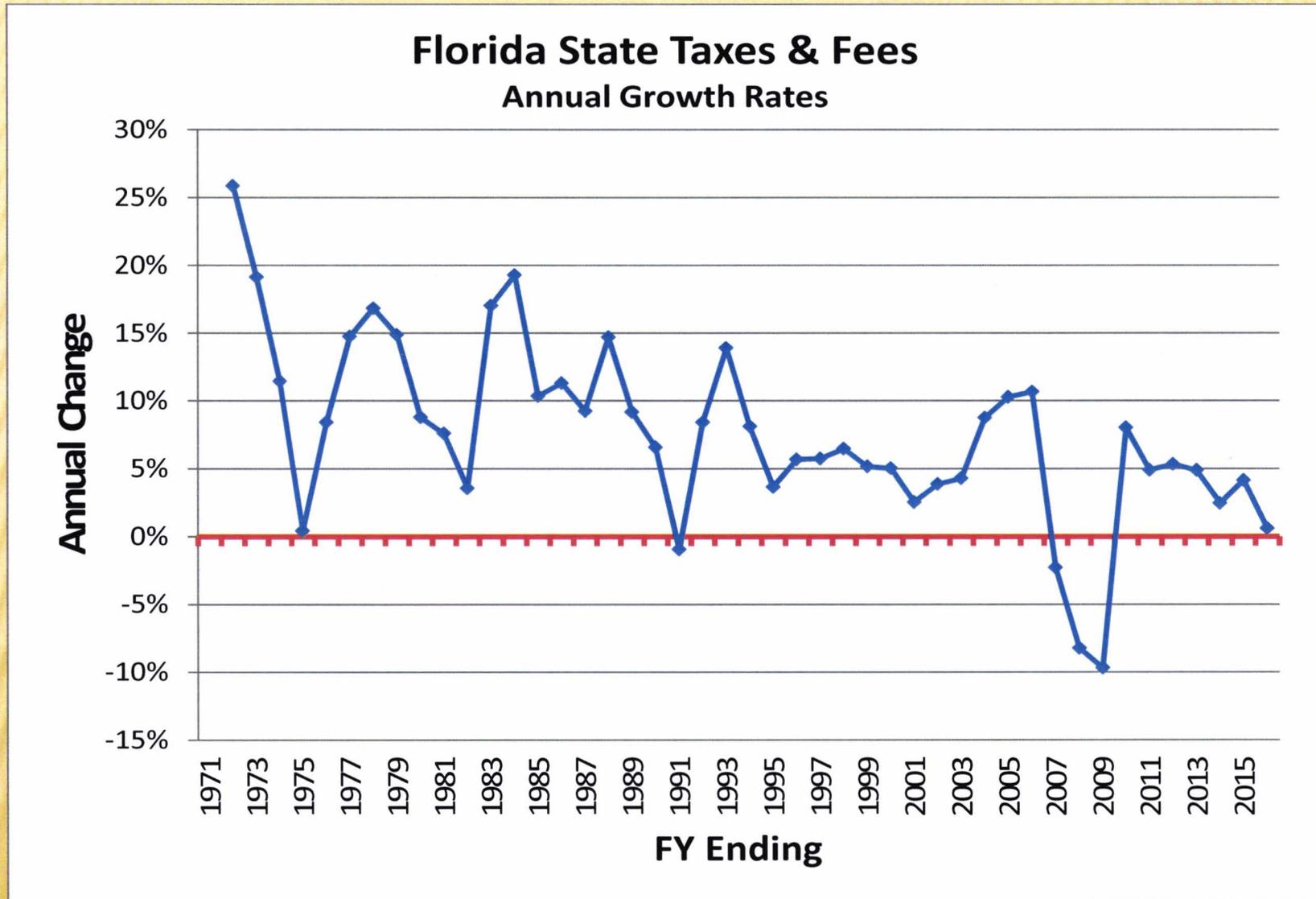
# FLORIDA'S TAX & FEE SYSTEM TODAY

	<b>2015-16</b>	<b>% of Total</b>
Reemployment Assistance Tax	1,074.1	2.5%
Documentary Stamp Tax (Part)	707.0	1.6%
Corporate Filing Fees	317.4	0.7%
Citrus Taxes	33.8	0.1%
Solid Mineral Severance Tax	23.3	0.1%
Oil and Gas Severance Tax	1.6	0.00%
<b>SUBTOTAL: PRODUCTION/EMPLOYMENT</b>	<b>2,157.3</b>	<b>5.0%</b>
<b>CORPORATE INCOME TAX*</b>	<b>1,970.9</b>	<b>4.6%</b>
AHCA Quality Assessment Fees	448.3	1.0%
Article V Charges	438.6	1.0%
Auto Title & Lien Fees	438.6	1.0%
County Medicaid Reimbursements	247.9	0.6%
Drivers Licenses & Fees	301.6	0.7%
Motor Vehicle Fees & Charges	251.8	0.6%
County Hlth Dept Fees	191.6	0.4%
Pre-trial Detention Charges--County Payments	56.7	0.1%
Other Charges for Gov't Services	467.7	1.1%
<b>SUBTOTAL: GOVERNMENT SERVICES</b>	<b>2,842.9</b>	<b>6.6%</b>
<b>OTHER</b>	<b>1,144.6</b>	<b>2.6%</b>
<b>TOTAL STATE TAXES &amp; FEES</b>	<b>43,289.8</b>	
* Net of General Revenue Refunds		

# FLORIDA'S TAX & FEE SYSTEM DYNAMICS



# FLORIDA'S TAX & FEE SYSTEM DYNAMICS

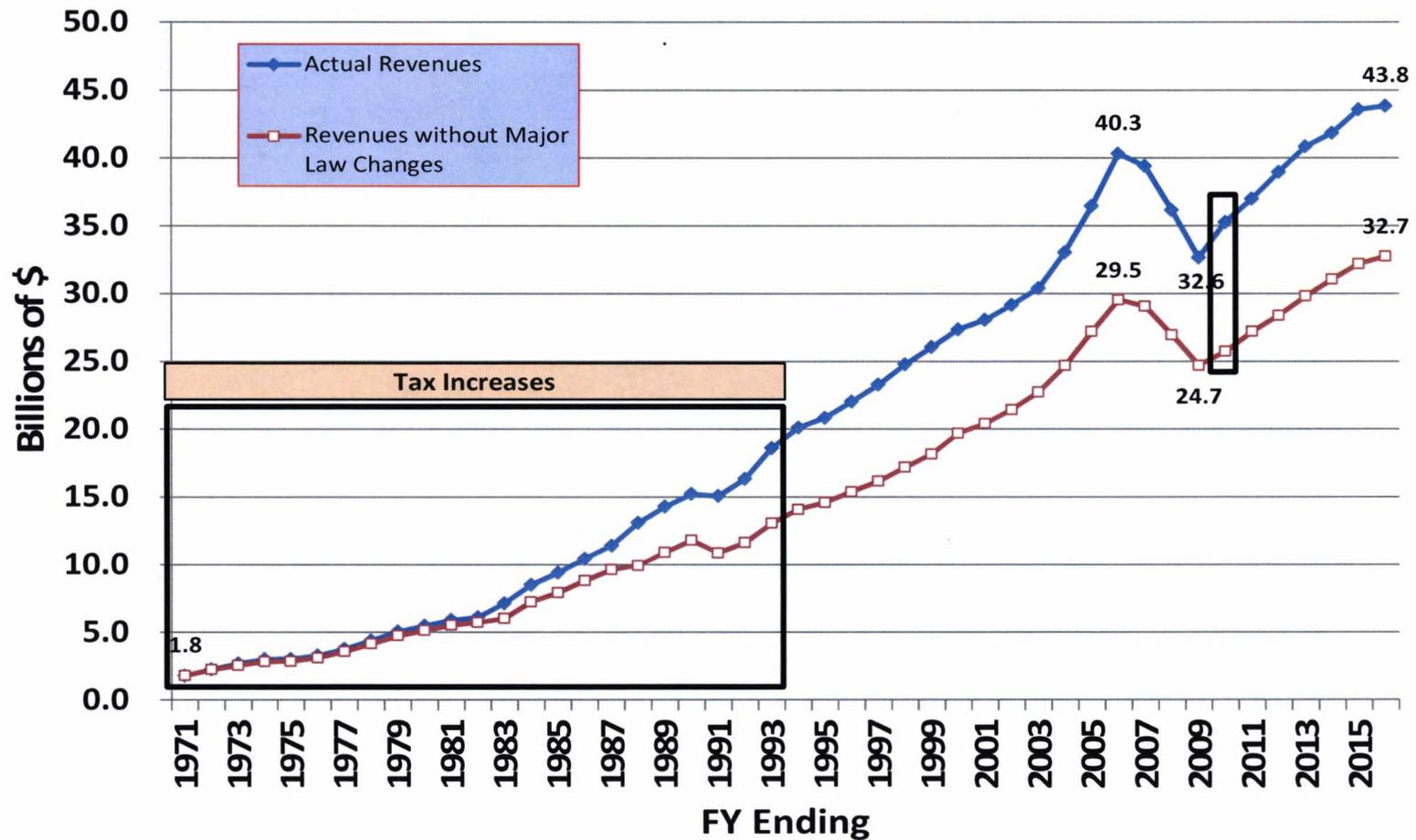


# FLORIDA'S TAX & FEE SYSTEM DYNAMICS

- DYNAMIC #1: Changes in Law
  - Statutory & Constitutional
  - Court Cases
  - State and Federal

# FLORIDA'S TAX & FEE SYSTEM DYNAMICS

Law Changes Have Been Significant



# FLORIDA'S TAX & FEE SYSTEM DYNAMICS

- DYNAMIC #2: Changes in Economic Activity
  - Population Growth
  - Inflation
  - Real Income per Capita
  - Population Composition
  - Technology, Market Evolution, Spending Patterns
  - The Business Cycle

# FLORIDA COMPARED TO OTHER STATES

## State Tax Revenue (2015 data)

Per Capita

U.S.

\$2,851

Florida

\$1,836

Rank

50

% of Personal Income

6.2%

4.4%

48

## State and Local Tax Revenue (2014 data)

Per Capita

\$4,675

\$3,322

47

% of Personal Income

10.6%

8.3%

50

Source: Federation of Tax Administrators

## State and Local Tax Collections by Source (2014) (Percent of Total)

	<u>Property</u>	<u>Sales</u>	<u>Selective Sales</u>	<u>Individual Income</u>	<u>Corporate Income</u>	<u>Other</u>
<b>U.S.</b>	31.3%	23.3%	11.4%	22.9%	3.7%	7.5%
<b>Florida</b>	35.7%	35.3%	16.7%	n.a.	3.1%	9.2%

Source: Federation of Tax Administrators

---

# Questions?

---

# Other Information

# FLORIDA'S TAX & FEE SYSTEM DYNAMICS

- Major Law Changes
  - 1971-72: Corporate Income Tax enacted
  - 1982-83: Sales Tax rate increase from 4% to 5%
  - 1987-88:
    - Sales Tax on services enacted and repealed
    - Sales Tax rate increase from 5% to 6%

# FLORIDA'S TAX & FEE SYSTEM DYNAMICS

- Major Law Changes (continued)
  - 1990-91, Major Increases in:
    - Gross Receipts Utilities Tax
    - Documentary Stamp Tax
    - Cigarette Tax
    - Alcoholic Beverage Tax
    - Intangible Personal Property Tax
    - Motor Fuel Tax and other transportation-related revenues
  - 1991-92: Documentary Stamp Tax rate increased

# FLORIDA'S TAX & FEE SYSTEM DYNAMICS

- Major Law Changes (continued)
  - 1992-93:
    - Documentary Stamp Tax rate increased
    - Sales Tax rate increased on utility services purchased by businesses
    - Pollutants Tax rate increased
  - 1999-2000 through 2006-07, Various Tax Reductions:
    - Annual Intangibles Tax repeal
    - Estate Tax repeal
    - Alcoholic Beverage Surtax repeal
    - Numerous Sales Tax exemptions enacted

# FLORIDA'S TAX & FEE SYSTEM DYNAMICS

- Major Law Changes (continued)

- 2009-10:

- Highway Safety Taxes & Fees increased
- Tobacco Taxes increased
- Unemployment Compensation Tax increased
- Court Fees increased

- 2010-11:

- Unemployment Compensation Tax decreased
- Film and Entertainment Credit expansion
- Scholarship Funding Organization tax credit expansion

# FLORIDA'S TAX & FEE SYSTEM DYNAMICS

- Major Law Changes (continued)
  - 2012-13:
    - Corporate Income Tax exempt income increase
    - Sales Tax exemption expansions for manufacturing and aircraft repair
    - Unemployment Compensation Tax relief
  - 2013-14:
    - Sales Tax exemption for manufacturing machinery & equipment (3 years)

# FLORIDA'S TAX & FEE SYSTEM DYNAMICS

- Major Law Changes (continued)
  - 2014-15:
    - Motor vehicle registration tax cuts
    - Sales Tax various exemptions
  - 2015-16:
    - Communications Services Tax rate cut
    - Sales Tax various exemptions
  - 2016-17
    - Sales Tax exemption for manufacturing machinery & equipment—permanent extension

Florida's Local Government  
Tax & Fee Structure

Florida House of Representatives

Ways and Means Committee

January 2017

# **FLORIDA'S LOCAL GOVERNMENT TAX & FEE STRUCTURE**

# WHAT IS “LOCAL GOVERNMENT”?

- ✘ General Purpose Governments
  - + Counties
  - + Municipalities
- ✘ Special Purpose Governments
  - + School Districts
  - + Special Districts

# WHY IS THIS INFORMATION IMPORTANT?

- ✘ Taxes & fees = main determinants of local government size
- ✘ System structure affects:
  - + Who pays for government and how
  - + (Dis)incentives for economic growth and development
  - + Cost of administration
  - + Predictability and adequacy of revenues

# THE TAX & FEE SYSTEM TODAY

---

- Established in law
  - Florida Constitution
  - Statutes/Laws of Florida/Rules
  - Case Law
  - Federal Law (statutory and constitutional)
  - Local Law

# TWO KEY CONCEPTS FOR THE LEGISLATURE

- **Local government home rule authority**
  - Broad authority to enact local laws for any public purpose, if not inconsistent with general law.
  - This includes authority to levy **fees and assessments.**
- **Legislative prerogative in taxation**
  - All **taxes**, other than ad valorem taxes, are preempted to the state, except as authorized by general law.

# TAXES & FEES—WHERE DO THEY FIT?

Local Government Revenue Shares by Category				
	General Purpose		Limited Purpose	
	County (2013-14)	City (2013-14)	School Districts (2014-15)	Ind. Special Districts (2011-12)
<b>Taxes, Fees &amp; Charges</b>	82.3%	73.0%	43.7%	82.9%
<i>Taxes</i>	40.8%	25.0%	41.6%	13.2%
<i>Charges for Services</i>	36.3%	41.2%	0.1%	62.3%
<i>Permits, Fees, and Special Assessments</i>	5.2%	6.8%	2.0%	7.4%
<b>Intergovernmental Revenue</b>	14.0%	9.7%	52.8%	11.8%
<b>Investment Earnings</b>	0.6%	6.7%	0.8%	1.1%
<b>Judgements, Fines, and Forfeits</b>	0.7%	0.7%	0.0%	0.1%
<b>Miscellaneous Revenues</b>	2.5%	9.9%	2.7%	4.2%

# FLORIDA'S TAX & FEE SYSTEM TODAY

Local Government Tax Shares by Category				
	General Purpose		Limited Purpose	
	County (2013-14)	City (2013-14)	School Districts (2014-15)	Ind. Special Districts (2011-12)
<b>Ad Valorem Taxes</b>	72.8%	62.1%	95.4%	97.5%
<b>Local Option Taxes</b>	8.1%	2.5%		
<b>Motor Fuel Taxes</b>	4.8%	3.0%		
<b>Insurance Premium Tax</b>		1.6%		0.2%
<b>Discretionary Sales Surtaxes</b>	9.2%	4.6%	4.6%	1.5%
<b>Utility Service Taxes</b>	2.5%	14.7%		
<b>Communications Services Taxes</b>	2.2%	6.2%		
<b>Local Business Tax</b>	0.2%	2.3%		0.1%
<b>Other General Taxes</b>	0.1%	3.0%		0.6%

---

# Questions?

---

# Other Information

# TAXES & FEES—WHERE DO THEY FIT?

Local Government Revenues (Mil \$)								
	General Purpose Governments				Limited Purpose Governments			
	County (2013-14)		City (2013-14)		School Districts (2014-15)		Ind. Special Districts (2011-12)	
	Amount	% of Tot	Amount	% of Tot	Amount	% of Tot	Amount	% of Tot
<b>Taxes, Fees &amp; Charges</b>	22,737	82.3%	18,388	73.0%	11,893	43.7%	11,681	82.9%
<i>Taxes</i>	11,286	40.8%	6,301	25.0%	11,327	41.6%	1,859	13.2%
<i>Charges for Services</i>	10,022	36.3%	10,380	41.2%	36	0.1%	8,778	62.3%
<i>Permits, Fees, and Special Assessments</i>	1,429	5.2%	1,706	6.8%	531	2.0%	1,044	7.4%
<b>Intergovernmental Revenue</b>	3,867	14.0%	2,435	9.7%	14,364	52.8%	1,660	11.8%
<b>Investment Earnings</b>	159	0.6%	1,694	6.7%	225	0.8%	157	1.1%
<b>Judgements, Fines, and Forfeits</b>	202	0.7%	182	0.7%	0	0.0%	9	0.1%
<b>Miscellaneous Revenues</b>	678	2.5%	2,494	9.9%	741	2.7%	587	4.2%
<b>TOTAL</b>	<b>27,643</b>		<b>25,193</b>		<b>27,223</b>		<b>14,093</b>	

# TAXES & FEES—WHERE DO THEY FIT?

Local Government Taxes (Mil \$)								
	General Purpose Governments				Limited Purpose Governments			
	County		City		School Districts		Special Districts	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
Ad Valorem Taxes	8,221	72.8%	3,914	62.1%	10,806	95.4%	1,813	97.5%
Local Option Taxes	917	8.1%	156	2.5%			0	0.0%
Motor Fuel Taxes	543	4.8%	190	3.0%				
Insurance Premium Tax			98	1.6%			4	0.2%
Discretionary Sales Surtaxes	1,037	9.2%	290	4.6%	521	4.6%	28	1.5%
Utility Service Taxes	279	2.5%	928	14.7%				
Communications Services Taxes	246	2.2%	393	6.2%				
Local Business Tax	27	0.2%	142	2.3%			2	0.1%
Other General Taxes	17	0.1%	190	3.0%			11	0.6%
<b>Total</b>	<b>11,286</b>		<b>6,301</b>		<b>11,327</b>		<b>1,859</b>	