

The Constitution Revision Commission
COMMITTEE MEETING EXPANDED AGENDA

FINANCE AND TAXATION
Commissioner Karlinsky, Chair
Commissioner Grady, Vice Chair

MEETING DATE: Wednesday, September 27, 2017
TIME: 2:00—5:00 p.m.
PLACE: 301 Senate Office Building, Tallahassee, Florida

MEMBERS: Commissioner Karlinsky, Chair; Commissioner Grady, Vice Chair; Commissioners Armas, Nuñez, Rouson, Smith, and Washington

TAB	PROPOSAL NO. and INTRODUCER	PROPOSAL DESCRIPTION and COMMITTEE ACTIONS	COMMITTEE ACTION
1	Presentation by Florida Department of Revenue on state taxation		Presented
2	Presentation by Florida Association of Counties on county taxation		Presented
3	Presentation by Florida League of Cities on municipal taxation		Presented
4	Presentation by Florida Association of Special Districts on special district taxation		Presented
5	Panel discussion on Article VII of the Florida Consitution with the Florida Department of Revenue, Florida Association of Counties, Florida League of Cities, and Florida Association of Special Districts		Presented

State Taxing Authority and How it Relates to Article VII of the Florida Constitution

Finance and Taxation Committee
Constitution Revision Commission
September 27, 2017

Bob McKee
Chief Economist
Florida Department of Revenue



Overview of State Tax Structure

- General Revenue Tax Sources
- Other Tax Sources
 - Taxes Administered by the Department of Revenue
 - Taxes Administered by Other State Agencies

General Revenue Tax Sources Administered by the Department of Revenue

- State and Local Sales and Use Tax
- Corporate Income Tax
- Documentary Stamp Tax
- Insurance Premium Tax
- Communications Services Tax (CST)
- Intangibles Tax
- Severance Taxes

State and Local Sales and Use Taxes

Chapter 212, Florida Statutes (F.S.)

- **State Sales Tax – General Rate 6%**
 - 2016-17 Revenues (Includes CST Transfer) \$25.9 B
 - General Revenue Portion \$23.0 B
 - Sales Tax Comprises 77.9% of State General Revenue
- **Local Option Sales Taxes – up to 3.5%**
 - No County has Imposed more than 2%
 - 2016-17 Local Revenues \$2.47 B

Sales and Use Tax

Chapter 212, F.S.

- Tax on Sale and Rental of Tangible Personal Property 6%
- Tax on Transient Rentals 6%
- Tax on Admissions 6%
- Tax on Certain Services 6%
- Tax on Rental or License to Use Non Residential Real Property 5.8%
- Tax on Non Residential Use of Electricity 4.35%
- Tax on Coin Operated Amusement Machines 4%



Corporate Income Tax (CIT)

Chapter 220, F.S.

- 5.5% Rate on Taxable Income Apportioned to Florida
- Starting point for Florida Taxable Income is Federal Taxable Income
- For the most part Florida's CIT Piggybacks Federal CIT
- 2016-17 Net CIT Revenues – \$2.17 B
- CIT is 100% General Revenue
 - 2nd Largest General Revenue Source
- \$50,000 Exemption per section 220.14, F.S.

Documentary Stamp Tax

Chapter 201, F.S.

- Two State Tax Rates
 - Tax on Deeds at \$0.70 per \$100 of Consideration
 - For Miami-Dade County, the State Rate is \$0.60 per \$100 of Consideration
 - Tax on Notes at \$0.35 per \$100 of Consideration

	Total	GR
• 2016-17 Revenues	\$2.4 B	\$891.8 M

- Miami-Dade Local Documentary Stamp Tax
 - Tax on Deeds of \$0.45 per \$100 of Consideration
 - Does not Apply to Single Family Residences
 - 2016-17 Local Revenues \$39.2 M

Insurance Premium Tax

Chapters 624 and 626, F.S.

- Tax on Insurance Premiums
- Imposed on Entity Providing Insurance
- Rate –
 - 1.75% on Direct Written Premiums
 - 1.0% on Annuity Premiums
 - 1.6% on Self Insurers
 - 5.0% on Surplus Lines
- Retaliatory Tax – Designed to Treat Insurers Domiciled in Other States the Same Way that State Treats Florida Insurers Doing Business in that State

	Total	GR
• 2016-17 Revenues	\$952.6 M	\$708.4 M



Communications Services Tax

Chapter 202, F.S.

- Tax Base – Charges for the Transmission, Conveyance, or Routing of Voice, Data, Audio, Video or any Other Information or Signals, including Video Services
- State Portion of CST is Distributed as Sales Tax

	Rate	2016-17 Revenues
State CST	4.92%	\$509.1 M
Local Portion of State CST	up to 5.2%*	\$647.0 M
Direct to Home Satellite	9.07%	\$147.1 M
Gross Receipts Tax on Communications Services	2.37% and 0.15%	\$354.4 M
*can be higher		



Intangible Taxes

Chapter 199, F.S.

- Tax rate 2 mills
- Tax Base - Notes, Bonds or Other Forms of Indebtedness which are Secured by Mortgage, Deed of Trust, or Other Lien upon Real Property in this State
- Non-Recurring Tax (Imposed One Time)
- Due when Instrument Presented for Recording
- 2016-17 Revenues **\$372.9 M**
 - 100% General Revenue



Severance Taxes

Chapter 211, F.S.

- Tax on the Severance of Phosphate, Certain Solid Minerals, Heavy Minerals, Oil and Gas, and Sulfur

Material	Tax Rate
Solid Minerals	
Phosphate	\$1.61 per ton, increases to \$1.80 per ton 12/31/2022
Heavy Minerals	Indexed rate per ton
Certain Solid Minerals	8% on value at point of severance
Oil & Gas	
Tertiary	Tiered with Price of Oil
Small Well	5% of gross value
All Other Oil and Gas	8% of gross value
Sulfur	Indexed rate per ton

2016-17	Total Revenues	GR
Solid Minerals	\$32 M	\$11.5 M
Oil & Gas	\$1.8 M	



General Revenue Taxes Administered by the Department Of Business and Professional Regulation

	Total	GR
– Alcohol Beverage Taxes	\$403.2 M	\$314.7 M
• Chapters 561 to 568, F.S.		
– Tobacco Taxes	\$1.17 B	\$278.5 M
• Chapter 210, F.S.		
– Pari-Mutuel Taxes, Licenses and Fees	\$22.8 M	\$22.8 M
• Chapters 550 and 849, F.S.		

Other State Tax Sources

(These Sources are not General Revenue Sources)

- Administered by Department of Revenue
 - Motor Fuel, Diesel and Pollutant Taxes \$2.45 B
 - Gross Receipts Tax \$1.1 B
 - Reemployment Tax \$839.6 M
 - Rental Car Surcharge \$139.5 M
- Administered by Other State Agencies
 - Motor Vehicle Licenses and Fees \$1.6 B
 - Taxes on Slot Machines \$191.6 M



Gross Receipts Tax

Chapter 203, F.S.

- Tax on Gross Receipts from Sales of Electricity, Natural Gas and Communications Services
- Rate
 - 2.5% on Electricity and Natural Gas
 - Additional 2.6% on Electricity and Natural Gas
 - 2.37% on Sales of Communications Services
 - Additional 0.15% on Sales of Communications Services
- Proceeds are Deposited in the Public Education Capital Outlay and Debt Service Trust Fund
 - Referenced in Article VII, Section 9
- 2016-17 Revenues **\$1.1 B**



Motor and Other Fuel Taxes

Chapter 206, F.S.

- State Taxes – Generally Fund Transportation Expenditures
 - State Fuel Sales Tax (2016-17 Revenues - \$1.38 B)
 - Indexed Rate – Currently 13.4 Cents per Gallon
 - 4 cent State Excise Tax (2016-17 Revenues \$412 M)
 - 2 Cent Constitutional, County 1 Cent, Municipal 1 Cent
 - State Comprehensive Enhanced Transportation Systems Tax (2016-17 Revenues - \$783.7 M)
 - Indexed Rate – Currently 7.4 Cents per Gallon
 - Aviation Fuel Tax - 6.9 Cents per Gallon (2016-17 Revenues - \$30.9 M)
 - Pollutant Taxes (2016-17 Revenues - \$246 M)
- Local Option Taxes
 - Motor Fuel – up to 12 Cents per Gallon
 - Diesel Fuel – 7 Cents per Gallon (Uniform Statewide)
 - 2016-17 Local Revenues - \$1.3 B

Reemployment Taxes

Chapter 443, F.S.

- Federal and State Program
 - Federal Tax of 6.0% on Taxable Wages
 - State Tax up to 5.4% on Taxable Wages (First \$7,000 of Wages Per Employee Annually)
 - Florida has a Qualifying Earned Rate system, so Florida Employers Receive a Credit of 5.4% against Federal Tax
 - Earned Rate System generates Employer Specific Tax Rates based upon Employer History of Creating Demand for Reemployment Benefits
 - Tax Rates will Vary Depending on Employer's Specific History
 - Rates can Go Up and Down for Individual Employers Annually
 - Initial Rate 2.7%
 - Maximum Rate 5.4%
 - There are Certain Rates that Exceed 5.4%
 - Funds Unemployment Compensation Trust Fund
 - System is Designed to Generate More Funds in Times of High Unemployment and Less in Times of Low Unemployment
- 2016-17 Revenues \$839.6 M
- 2012-13 Revenues \$2.25 B
- The Department of Revenue is the Tax Collection Service Provider for the Department of Economic Opportunity by Contractual Agreement

Article VII

- Specifically Addresses Two Currently Imposed State Taxes with Respect to Statutory Implementation
 - Corporate Income Tax
 - Intangibles Tax
- Both Taxes are Limited by the Constitution
- All Other State Taxation has been Established by General Law
- References Certain Other State Taxes in Section 9 - Bonds

Article VII, Section 1

- Provides No Tax may be Imposed Except in Pursuance of Law
- Provides No State Ad Valorem Tax shall be Levied upon Real Estate or Tangible Personal Property
- Provides that Motor Vehicles, Boats, Airplanes, Trailers, Trailer Coaches and Mobile Homes shall be Subject to a License Tax , but shall not be Subject to Ad Valorem Taxes

Article VII, Section 2

- Provides all Ad Valorem Taxation shall be at a Uniform Rate within each Taxing Authority, except the Taxes on Intangible Wealth may be at Different Rates but shall never exceed 2 Mills
- Provides that for Obligations Secured by Mortgage, Deed of Trust, or Other Lien on Real Estate wherever Located , an Intangible Tax of no more than 2 mills on the Dollar may be Levied by Law in lieu of all other Intangible Assessments on such Obligations
 - Nonrecurring Intangible Tax on Mortgages

Article VII, Section 5

- Provides No Tax upon the Income of Residents or Citizens other than Natural Persons (e.g., Corporations) shall be Levied by the State or under its Authority in excess of 5% of Net Income
- Provides for a Greater Rate if Authorized by a 3/5th Vote of the Membership of each House of the Legislature
- Provides for an Exemption not less than \$5,000
- Statutorily Implemented to Impose Corporate Income Tax (Chapter 220, F.S.)

Article VII, Section 9

- Section 9 – Bonds
- Preserves Certain Sections of the 1885 Constitution, as amended
- References Certain Revenue Sources with respect to Payment of Bond Obligations or Other Evidences of Indebtedness Authorized by 1885 Constitution, as Amended
 - Gross Receipts Tax
 - 2 Cent Gas Tax
 - Motor Vehicle Licensing

Article VII, Section 5

- Provides Limitations on Certain Taxes not Currently Imposed by Florida Statutes
 - Limits Estate or Inheritances Taxes
 - Limits Income Taxes on Natural Persons