

Sales Tax Discussion

Presentation to Hillsborough
County Transportation Task Force
September 15, 2008

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Characteristics of Sales Taxes - General

- Regressive – low income residents pay a greater share of their income than high income residents.
- Acceptable – consumption-based taxes are favored over those based on wealth (e.g., property taxes) or income/earnings.
 - The tax is generally paid in small increments.
 - People feel they can control what they pay in taxes.
 - Some key deductions on food and drugs help.

Characteristics of Sales Taxes - Florida

- Florida's tax base reflects numerous exemptions of goods and services, plus tax holidays, and little interest in collecting existing taxes on goods purchased over the Internet.
- Volatility – a narrow tax base creates wide swings in annual revenue growth, as evidenced by the State's history of "feast or famine."
- Florida has some capacity to increase the sales tax rate at the State or local level and remain competitive.

Local Sales Tax Rates

- No county in Florida has a combined local sales tax rate of more than 1.5% (for a total tax rate of 7.5%).
- Escambia, Jackson, Leon, Madison, and Monroe each levy a 1.5% combined tax.
- Sales taxes are generally levied in 0.5% increments. The only current exception is a 0.25% indigent care tax rate in Alachua County. Previously, Hillsborough County levied a 0.25% indigent care tax rate.

Characteristics of a Sales Tax - Hillsborough

- The County has experienced a long term growth trend of 6%.
- Tourists account for about \$1 of every \$6 paid locally in sales taxes (17% versus about 23% statewide).
- Local sales taxes are capped at \$5,000 per item – i.e., a local sales tax applies to only the first \$5,000 of the purchase of a car. That provides some stabilizing influence when high-end purchases fluctuate.
- The total existing tax rate is 7%. The CIT expires in 2026. The Indigent Care Surtax has no expiration.

Future Considerations at the Local Level

- Future revenue could be impacted by several factors:
 - The local rate of population growth (↑ or ↓)
 - Removal of the \$5,000 cap on local taxes (↑)
 - Further impact of Internet sales (↓)
 - Removal of sales tax exemptions (↑)

Charter County Transit System Sales Surtax

- Revenue is currently estimated at \$197.6 million for a full 1% tax (\$93.8 for a 0.5% tax).
- New sales taxes take effect only on January 1.
- Miami-Dade County and Duval County currently levy the tax at 0.5%.
- In the Tampa Bay area, Hillsborough, Pinellas County, and Sarasota County are eligible to levy this tax. Broward and Volusia are the only other counties eligible to levy the tax.

Hillsborough County's Infrastructure Surtax – the Community Investment Tax

- A 0.5% surtax committed to retirement of debt on Raymond James Stadium, a distribution of 25% of gross revenue to the School Board, and the remaining distribution to Hillsborough County and the 3 municipalities using a population-driven formula.
- A 30-year authorization. Levied on December 1, 1996 and expires November 30, 2026.
- The Board of County Commissioners has committed most of its share of future revenue through 2026.

Lessons Learned from the Community Investment Tax

- Passage of the tax relied on a “coalition” of interests patterned after Pinellas County’s “Penny for Pinellas”
 - School supporters, who were promised 25% of collections,
 - Public safety supporters, and
 - Bucs fans, who were promised a new stadium (a commitment of about 6% of collections).
- Two local option sales taxes had recently failed at referendum: one for schools and a separate for infrastructure.

Consideration of Competing Interests

- Hillsborough voters will decide on a \$200 million General Obligation ELAPP referendum in November 2008.
- The CIT may be subject to a referendum extending the expiration date to:
 - facilitate using it for long term financing, and
 - provide Hillsborough County capacity for criminal justice projects – expanded courthouse and jail facilities – and added transportation projects.

There would be no stadium financing component past 2026.