SECTION 19 – REVENUES

Overview

Local governments generate revenues from a wide range of sources. The authority for generating revenues is derived from the State Constitution, home rule authority, or Florida law. The Florida Office of Economic and Demographic Research (EDR) annually publishes a Local Government Financial Information Handbook (which references most of the revenue sources available to local governments). Some of the major revenue types for local governments in Florida are discussed below.

Revenues Authorized by the State Constitution and State Law

Ad Valorem Taxes

Ad valorem taxes on property are assessed as of January 1 each year and are first billed (levied) and due the following November 1. Under Florida law, the assessment of non-exempt properties and the collection of county, municipal, school board, and special district property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. State laws regulating tax assessments are also designed to assure a consistent property valuation method statewide.

Except for voted levies, Section 9(b), Art. VII, of the State Constitution permits counties and municipalities to levy property taxes at a rate of up to 10 mills ($10 per $1,000 of assessed taxable valuation). Additional taxes may be levied by counties providing municipal services. Only certain special districts are authorized to levy taxes. The tax levies are established prior to October 1st of each year, and the County Property Appraiser incorporates the millage into the local tax roll. All property is reassessed according to its fair market value as of January 1st of each year. Each assessment roll is submitted to the Department of Revenue's (DOR) Executive Director for review to determine if the rolls meet all of the appropriate requirements of state statutes.

All unpaid taxes on real and tangible personal property become delinquent and liens are attached on April 1st of the year following the year in which taxes were assessed. Procedures for the collection of delinquent taxes are provided in state law.

State Shared Revenues

The Florida Legislature has passed several laws providing for the sharing of fees and taxes assessed by the state with counties and municipalities, including sales and use taxes, fuel taxes, alcoholic beverage license taxes, cigarette taxes, and alternative fuel user decal fees. For many of these shared revenues, the authorized use is at the local government's discretion. However, some shared revenues, such as fuel taxes, are authorized for specific purposes.

The category of state-shared revenues includes the following sources, which are discussed in greater detail in the Local Government Financial Information Handbook:

- Alcoholic Beverage License Tax
- Cardroom Revenues
- Constitutional Fuel Tax
- County Fuel Tax
- County Revenue Sharing Program (Derives Funding from Transfers of 2.9 Percent of Net Cigarette Tax Collections and 2.0810 Percent of Sales and Use Tax Collections)
- Distribution of Sales and Use Taxes to Counties
- Emergency Management Assistance
- Fuel Tax Refunds and Credits

- Indian Gaming Revenues
- Insurance License Tax
- Intergovernmental Radio Communication Program
- Local Government Half-Cent Sales Tax Program (Derives Funding from Separate Transfers of Net Sales Tax Proceeds)
- Miami-Dade County Lake Belt Mitigation Fee
- Mobile Home License Tax
- Municipal Revenue Sharing Program (Derives Funding from Transfers of 1.3653 Percent of Sales and Use Tax Collections and Net Collections from the Municipal Fuel Tax)
- Oil, Gas, and Sulfur Production Tax
- Payments from State Forest Timber Sales to Eligible Fiscally Constrained County Governments
- Phosphate Rock Severance Tax
- Public Safety Emergency Communications Systems Fee
- State Housing Initiatives Partnership Program
- Support for School Capital Outlay Purposes
- Vessel Registration Fee

Home Rule Authority Revenues

Under Florida's Constitution, local governments possess expansive home rule powers. Given these powers, local governments may impose proprietary fees, regulatory fees, and special assessments to pay the cost of providing a facility or service or regulating an activity.

Proprietary Fees

Proprietary fees are home rule revenue sources, which are based on the assertion that local governments have the exclusive legal right to impose such fees. Examples of proprietary fees include admissions fees, franchise fees, user fees, and utility fees. The guiding legal principle is that the imposed fee is reasonable in relation to the government-provided privilege or service or that the fee payer receives a special benefit. Local governments may impose a franchise fee upon a utility for the grant of a franchise and the privilege of using local government's rights-of-way to conduct the utility business. The imposition of the fee requires the adoption of a franchise agreement, which grants a special privilege that is not available to the general public. The fee is considered fair rent for the use of such rights-of-way and consideration for the local government's agreement not to provide competing utility services during the term of the franchise agreement. Typically, the franchise fee is calculated as a percentage of the utility's gross revenues within a defined geographic area. User fees are imposed to recoup the costs of providing a service or a facility to the public. Local governments cannot impose a user fee higher than the cost. Local governments charge customers fees for the utility services provided. Utility fees may include a reasonable profit that can be used for purposes other than providing utility services.

Regulatory Fees

Regulatory fees are imposed pursuant to a local government's police powers in the exercise of a sovereign function. Examples of such regulatory fees include building permit fees, impact fees, inspection fees, and stormwater fees. Two principles guide the use and application of such fees: (1) the imposed fee cannot exceed the cost of the regulatory activity; and (2) the fee is generally required to be applied solely to pay the cost of the regulatory activity for which it is imposed. In terms of fiscal impact to local governments and school districts, impact fees are the most significant.

Special Assessments

Special assessments are often used to fund major capital facility projects, such as utility infrastructure and expansion as well as general operations. As established by Florida case law, two requirements exist for the imposition of a valid special assessment: (1) the property assessed must derive a special benefit from the improvement or service provided; and (2) the assessment must be fairly and reasonably apportioned among the properties that receive the special benefit. If a local government's special assessment ordinance withstands these two legal requirements, the assessment is not considered a tax, which is levied for the general benefit of residents and property rather than for a specific benefit to property.

Revenues Authorized by the Legislature

The legislature has authorized certain revenue sources for local governments through legislation providing authority for local governments to assess a tax or fee:

- Communication Services Tax
- Convention Development Taxes
- Discretionary Surtax on Documents
- Green Utility Fee
- Gross Receipts Tax on Commercial Hazardous Waste Facilities
- Insurance Premium Tax
- Local Business Tax (Including the Panama City and Panama City Beach Merchant License Tax)
- Local Discretionary Sales Surtaxes
- Local Option Food and Beverage Taxes
- Motor Fuel and Diesel Fuel Taxes (Ninth-Cent, 1-6 Cents, and 1-5 Cents Local Option Fuel Taxes)
- Municipal Pari-Mutuel Tax
- Municipal Parking Facility Space Surcharges
- Municipal Resort Tax
- Public Service Tax
- Tourist Development Taxes
- Tourist Impact Tax
- Traffic Citations Resulting from Use of Traffic Infraction Devices

A few selected revenue sources are discussed below.

Impact Fees

Chapter 2026-161, Laws of Florida, effective January 1, 2027, revises Section 163.31801, Florida Statutes, primarily with respect to impact-fee increases based on extraordinary circumstances, cumulative rate-increase limitations, payor refund requests, and certain interlocal agreements. Local governments, school districts, and special districts should review the revised statute before adopting or increasing an impact fee.

- For an extraordinary-circumstances increase, ensure that the demonstrated-need study identifies the standards supporting the existence of extraordinary circumstances and includes the required declaration of the method and timeframe by which the increase will add capacity.
- Apply the existing phase-in and public-workshop requirements as applicable, and do not use the extraordinary-circumstances provisions to increase an impact-fee rate by more than 100 percent cumulatively within a four-year period.
- Maintain written procedures for credits and impact-fee payor refund requests, and review interlocal agreements that may be affected by the statutory expiration provisions.

Discretionary Sales Surtax

The discretionary sales surtax (DSS) may be adopted by Florida counties and applies to most transactions subject to sales tax, specifically on the first $5,000 on any one item of tangible personal property. Other transactions subject to DSS are not capped. The selling dealer must collect the surtax in addition to Florida's general sales tax of 6%. The discretionary sales surtax is based on the rate in the county where taxable goods or services are delivered and ranges from a combined surtax of 0.5% to a 2.5% maximum. A few counties do not impose the surtax. DOR distributes the discretionary sales surtax collected back to the counties that levy the surtax. Counties use these funds to help pay for local authorized projects or distribute these funds and a portion of general sales taxes among the local municipalities in revenue sharing arrangements. DSS categories include: (1) Charter County and Regional Transportation System Surtax; (2) Local Government Infrastructure Surtax; (3) County Public Hospital Surtax;. (4) Voter-Approved Indigent Care Surtax; (5) Small County Surtax; (6) Indigent Care and Trauma Center Surtax; (7) School Capital Outlay Surtax; (8) Emergency Fire Rescue Services and Facilities Surtax; and (9) and Pension Liability Surtax. In accordance with Section 212.055(2), Florida Statutes, municipalities need to review interlocal agreements with counties in local jurisdictions as to any restrictions governing category of expenditures authorized to be incurred for payment with the DSS proceeds (i.e., infrastructure expenditures only). DSS rates are published by the DOR on Form DR-15DSS. Currently, DSS rates may be implemented or changed effective January 1 of each year and must terminate only on December 31 of a given year (with rare exceptions). DSS is only authorized by enactment or amendment by voter referendum during a general election. At least 180 days before a referendum is held, a performance audit of the program associated with the proposed surtax must be performed in accordance with Section 212.055(11), Florida Statutes

Local Option Fuel Taxes

Levied on each gallon of fuel sold within a county's boundaries, the tax is collected by the state and remitted back to the originating county. Counties are required to share some of these proceeds with municipalities residing in the county.

Local Business Taxes

Historically known as occupational license fees, but recently classified as business taxes, these taxes grant the privilege of engaging in a business or profession within the local government's boundaries. This tax is billed annually and remitted to the local government directly.

Fines and Forfeitures

Local governments are authorized to issue fines for violations of local laws, such as overdue parking or for unsafe structures, and may acquire property as a result of such actions.

Federal and State Grants

Federal and state assistance programs are available to local governments for many purposes, including housing, urban development, and community development, and are identified through the federal Assistance Listings and the Florida Catalog of State Financial Assistance (CSFA). Current federal opportunities and registration information are available through Grants.gov and SAM.gov. The Florida CSFA is available through the Florida Department of Financial Services.

Financial Reporting Issues

For many entities, property taxes have traditionally been the largest general revenue source. Revenues from charges for services, grants, and contributions may be reported as program revenues. For government-wide reporting, revenues and expenses are associated with governmental activities or business-type activities. Governmental activities generally include services financed primarily through taxes and intergovernmental

revenues, while business-type activities generally include operations intended to recover all or most of their costs through user fees and charges.

Revenues generated by fees and charges for typical governmental services, such as public safety, transportation, parks and recreation, and economic development, are classified as governmental activities. Some local governments also provide essential services to their residents that are classified as business type activities, such as electric or water delivery, and sewer and sanitation services, or operate a civic or sports facility.

References

- Chapters 125 and 166, Florida Statutes – County and municipal home rule authority. Official link
- Chapter 200, Florida Statutes – Ad valorem taxation and TRIM. Official link
- Chapter 212, Florida Statutes – Sales, use, and discretionary surtaxes. Official link
- Section 163.31801, Florida Statutes – Impact fees. Official link
- Section 215.97, Florida Statutes – Florida Single Audit Act. Official link
- Chapter 2026-161, Laws of Florida – Local Government Financial Transparency and Accountability Act. Official link
- Florida Office of Economic and Demographic Research – Local Government Financial Information Handbook. Official link
- Florida Department of Revenue – Local tax resources. Official link
- Government Finance Officers Association – Revenue control and forecasting best practices. Official link