

**FLORIDA'S  
TRANSPORTATION  
TAX SOURCES**

**A PRIMER**



**Florida Department of Transportation  
Office of Comptroller – General Accounting Office  
January 2017**

## QUICK REFERENCE TO 2016 FUEL TAXES

LEVEL	TAX	AMOUNT	USE
<b>Federal</b>			
	Fuel Excise Tax	Gasohol - 18.4¢/gal Gasoline - 18.4¢/gal Diesel - 24.4¢/gal	2.86¢ for mass transit. 0.1¢ for leaking tanks. Remainder for roads and bridges.
<b>State (Distributed to DOT)***</b>			
	Fuel Sales Tax	All fuels 13.4 ¢/gal	At least 15.0% of DOT Receipts** dedicated for public transportation. Remainder for any legitimate state transportation purpose.
	SCETS* Tax	Gas/Gasohol 6.1¢ - 7.4¢/gal Diesel - 7.4¢/gal	Net receipts must be spent in the district where generated.
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<b>State (Distributed to Local Governments)***</b>			
	Constitutional Fuel Tax	All fuels 2¢/gal	Acquisition, construction and maintenance of roads.
	County Fuel Tax	All fuels 1¢/gal	Any legitimate county transportation purpose.
	Municipal Fuel Tax	All fuels 1¢/gal	Any legitimate municipal transportation purpose.
<b>Local***</b>			
	Ninth-cent Fuel Tax	Gas/Gasohol 0¢ - 1¢/gal Diesel 1¢/gal	Any legitimate county or municipal transportation purpose.
	Local Option Fuel Tax	Gas/Gasohol 5¢ - 11¢/gal Diesel 6¢/gal	Local transportation; small counties may also use funds for other infrastructure needs.

\* State Comprehensive Enhanced Transportation System

\*\* Excluding revenue redirected as part of the Mobility 2000 Initiative

\*\*\* 'Alternative fuels' are exempt from state/local fuel taxes from 2014 until 2019

# FLORIDA'S TRANSPORTATION TAX SOURCES

## TABLE OF CONTENTS

Introduction .....	1
Section 1 - Frequently Asked Questions (FAQ) .....	7
Section 2 - State Highway and Off-Highway Fuel Taxes .....	9
Section 3 - Federal Highway Fuel Taxes .....	15
Section 4 - State Motor Vehicle Fees .....	18
Section 5 - Federal Excise and Heavy Truck Use Taxes .....	24
Section 6 - State Aviation Fuel Tax .....	27
Section 7 - Federal Aviation Taxes .....	31
Section 8 - Local Option Transportation Taxes .....	35
Section 9 - State Document Stamps .....	40

## TABLES, CHARTS, AND GRAPHS

Figure 1 - Fuel Tax Rates .....	2
Figure 2 - Historical Fuel Taxes .....	3
Figure 3 - Florida's Transportation Tax Sources .....	4
Figure 4 - Primary Distribution and Use .....	6
Figure 5 - State Highway Fuel Taxes and Their Disposition .....	14
Figure 6 - Federal Highway Fuel Taxes and Their Disposition .....	17
Figure 7 - Florida Motor Vehicle License Fees and Their Disposition .....	22
Figure 8 - Other Motor Vehicle Fees and Their Disposition .....	23
Figure 9 - Federal Excise/Heavy Truck Use Taxes and Their Disposition .....	26
Figure 10 - State Aviation Fuel Taxes and Their Disposition .....	30
Figure 11 - Federal Aviation Taxes and Their Disposition .....	34
Figure 12 - Local Option Transportation Taxes and Their Disposition .....	38
Figure 13 - Locally Imposed Motor Fuel Taxes .....	39

## Introduction

This booklet describes the taxes and fees in place at the national, state, and local levels that fund the development and maintenance of Florida's transportation system.

**These tax mechanisms are quite dynamic, and the reader is cautioned that information in this publication can quickly become outdated.** The Primer will be maintained on a regular basis with updates provided following changes to the fuel tax rates in January due to indexing of these tax rates. Updates are available at the FDOT Website located at:

<http://www.fdot.gov/comptroller/gao.shtm>

Questions and suggestions concerning its contents can be forwarded to:

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The body of the publication is organized into nine separate sections: (1) Frequently Asked Questions; (2) State Highway and Off-Highway Fuel Taxes; (3) Federal Highway Fuel Taxes; (4) State Motor Vehicle Fees; (5) Federal Excise and Heavy Truck Use Taxes; (6) State Aviation Fuel Tax; (7) Federal Aviation Taxes; (8) Local Option Transportation Taxes; and, (9) State Documentary Stamp fees. Sections two through nine summarize the history of the taxes therein, describe their present structure, cite the laws under which they are administered, and conclude with a graphic presentation showing how the corresponding proceeds are distributed.

Several summary charts and tables that combine information from two or more of the numbered sections are included in the introductory section of this booklet. A careful review of these will provide a broad understanding of Florida's transportation revenue structure. The first two charts, Figure 1 and Figure 2, show current and historical motor fuel tax rates. Figure 3 is a table of transportation tax sources with their legal authority, a brief description, and prior year distribution. Figure 4 is a graphic presentation of all federal, state, and local transportation tax sources with their distributions.

Figure 1 - Fuel Tax Rates

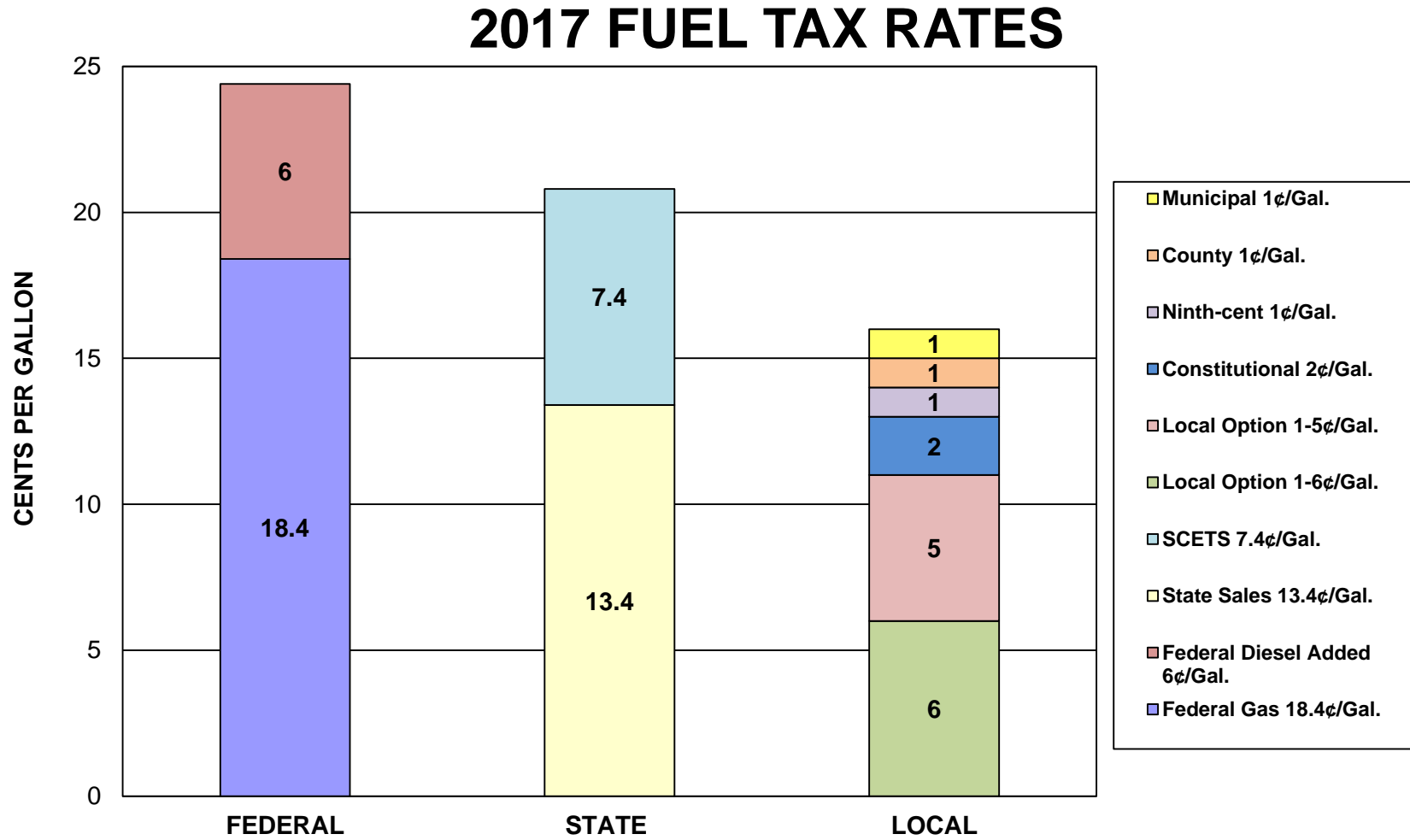
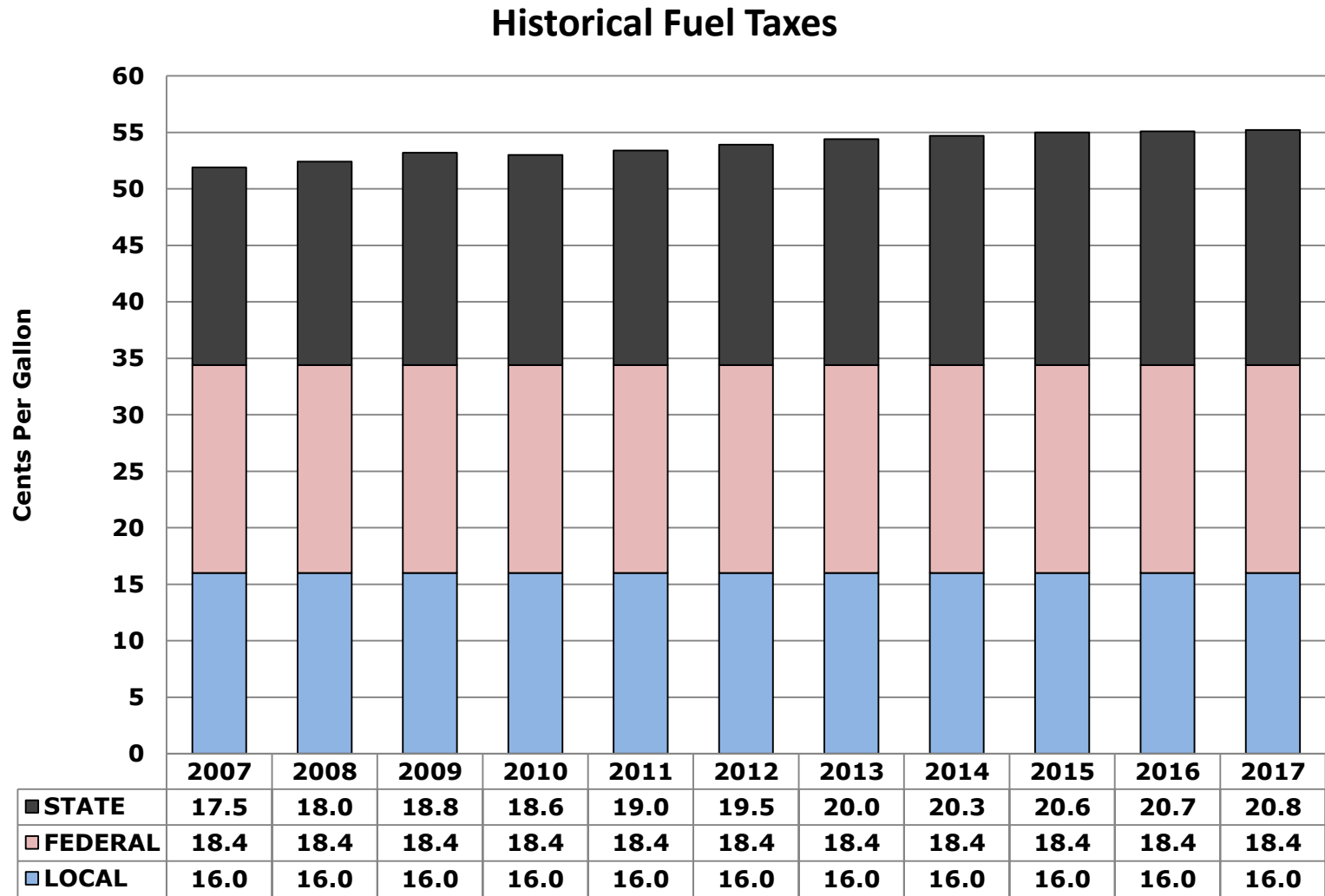


Figure 2 - Historical Fuel Taxes



**Figure 3 - Florida's Transportation Tax Sources**

<b>FLORIDA'S TRANSPORTATION TAX SOURCES</b>				
<b>FUND/TAX SOURCE</b>	<b>DESCRIPTION</b>	<b>RATES (CY 2017)</b>	<b>ESTIMATED PROCEEDS (\$ IN MILLIONS)*</b>	
			<b>OTHER USES</b>	<b>TRANSPORTATION</b>
<b>Federal</b>			<b>FY 2016 DISTRIBUTIONS</b>	
Federal Highway Administration Federal Highway Trust Fund (Highway Account)	Federal highway fuel taxes and other excise and heavy vehicle use and sales taxes of varying amounts	Gasoline.....15.44¢/gal Gasohol.....15.44¢/gal Diesel.....21.44¢/gal	None	2447
Federal Aviation Administration Airport & Airway Trust Fund	Federal taxes on noncommercial aviation fuel, airline tickets, waybills, international departures, and international arrivals	Avgas.....19.3¢/gal Jet Fuel.....21.8¢/gal F.O. Surcharge...14.1¢/gal Ticket Tax.....7.5% (Plus \$4.00/Flight Segment) Waybill Tax.....6.25%	None	178
Federal Transit Administration Federal Highway Trust Fund (Mass Transit Account)	Federal highway fuel taxes	All fuels.....2.86¢/gal	None	383
Federal Rail Administration			None	0
<b>State – For State Use</b>			<b>FY 2015-16 DISTRIBUTIONS</b>	
Fuel Sales Tax (F.S. 206.41(1)(g)) (F.S. 206.87(1)(e)) (F.S. 206.606) (F.S. 212.0501) (F.S. 206.9955(2)(e))	Highway fuels (excluding “alternative” fuels 2014 until 2019)	Gasoline, Gasohol, and Undyed Diesel.....13.4¢/gal	Agricultural Emergency Eradication TF.....8 Administrative charge.....10 DEP/FWCC transfers.....22 Miscellaneous credits & refunds (farmers & fisherman, transit <u>systems, local government</u> ).....33 Total .....73	1336
	Off-Highway fuels	Dyed Diesel.....6% of retail fuel price		9
SCETS Tax (F.S. 206.41(1)(f)) (F.S. 206.608) (F.S. 206.87(1)(d)) (F.S. 206.9955(2)(d))	Highway fuels (excluding “alternative” fuels 2014 until 2019)	Gasoline...6.1¢-7.4¢/ gal Undyed Diesel...7.4¢/gal	Administrative charge.....6 Agricultural Emergency Eradication TF.....4 Miscellaneous credits & refunds (farmers & fisherman, transit systems, <u>local government</u> ).....4 Total .....14	759
Aviation Fuel Tax (F.S. 206.9825) (F.S. 206.9845) (F.S. 206.9855)	Aviation fuel	All fuels.....6.9¢/gal	G/R service charge.....3 Administrative charge.....1 <u>Airline in-state wage refunds</u> .....15 Total .....19	30

## FLORIDA'S TRANSPORTATION TAX SOURCES

FUND/TAX SOURCE	DESCRIPTION	RATES (CY 2017)	ESTIMATED PROCEEDS (\$ IN MILLIONS)*	
			OTHER USES	TRANSPORTATION
<b>State – For State Use (Cont'd)</b>			<b>FY 2015-16 DISTRIBUTIONS</b>	
Fuel Use Tax & Fee (F.S. 207.003, 207.004)	Identification decals & taxes on highway fuels consumed by commercial interstate vehicles	Decals.....\$4/yr Fuels.....Prevailing rates 10 day Permit.....\$45	G/R service charge.....** <u>Administrative charge.....3</u> Total.....3	9
Motor Vehicle License Fee (F.S. 320.08, 320.20) (Const. Art. XII, Sec. 9(d)(3))	Annual vehicle registrations	Based on vehicle weight	General Revenue.....14	575
Initial Registration Fee (F.S. 320.072)	Initial registration surcharge on specified vehicles added to statewide stock	One-time.....\$225	Highway Safety Operating TF.....37	218
Title Fee (F.S. 319.32)	Titles issued for newly registered and transferred vehicles, except for for-hire, lienholder, and salvaged vehicles	Each.....\$70	General Revenue.....112	308
Rental Car Surcharge (F.S. 212.0606)	Daily surcharge on leased/rental vehicles for first 30 days	\$2.00/day Car sharing services pay \$1/day beginning 1/1/15	G/R service charge .....16 Administrative charge.....2 Tourism Promotional Trust Fund.....28 <u>Int. Trade Promotion Trust Fund.....8</u> Total.....54	140
Documentary Stamp Tax (F.S. 201.15)	Tax on deeds, stocks, bonds, liens, mortgages, and other evidences of indebtedness	Property Deeds.....70¢/\$100 Certificate of Debt...35¢/\$100	General Revenue.....866 Debt Service.....170 <u>Housing/Envmnt./Econ. Dev.....412</u> Total.....1,448	262
<b>State – For Local Use</b>				
Fuel Excise Taxes Constitutional, County & Municipal Fuel Taxes, and Fuel Use Tax (F.S. 206.41(1)(a),(b),(c)) (F.S. 206.87(1)(a), 207.003) (F.S. 206.9955(2)(a))	Highway fuels (excluding “alternative” fuels 2014 until 2019)	Constitutional.....2¢/gal County.....1¢/gal Municipal.....1¢/gal	G/R service charge.....16 Collection Fee.....4 Refunds (farmers & fisherman, local government entities).....7 <u>Administrative charge.....2</u> Total.....29	427
<b>Local</b>				
Ninth-cent Fuel Tax (F.S. 206.41(1)(d)) (F.S. 206.87(1)(b), 336.021) (F.S. 206.9955(2)(b))	Highway fuels (excluding “alternative” fuels 2014 until 2019)	Gasoline.....0¢-1¢/gal Undyed Diesel.....1¢/gal	Administrative charge.....1	92
Local Option Fuel Tax (F.S. 206.41(1)(e)) (F.S. 206.87(1)(c), 336.025) (F.S. 206.9955(2)(c))	Highway fuels (excluding “alternative” fuels 2014 until 2019)	Gasoline.....1¢-11¢/gal Undyed Diesel.....6¢/gal	Service charge to GR.....19 Administrative charge.....7 <u>Refunds .....3</u> Total .....29	Local Governments....823 STTF.....44

\*Revenue estimates are subject to change throughout the fiscal year.

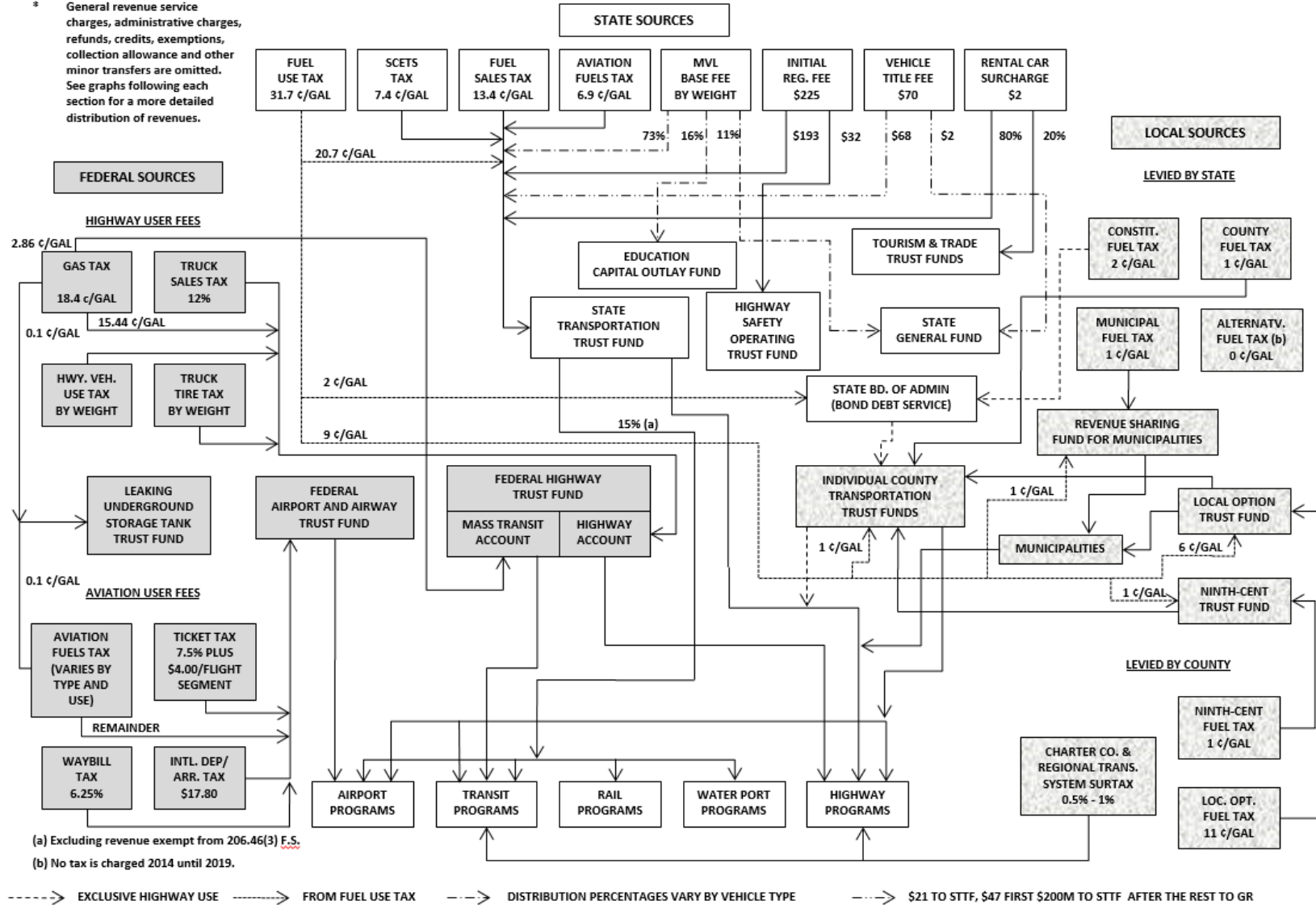
\*\* Less than \$0.5 mil.



Figure 4 - Primary Distribution and Use

### 2017 TRANSPORTATION TAX SOURCES – PRIMARY\* DISTRIBUTION AND USE

\* General revenue service charges, administrative charges, refunds, credits, exemptions, collection allowance and other minor transfers are omitted. See graphs following each section for a more detailed distribution of revenues.



## Section 1 - Frequently Asked Questions (FAQ)

### 1. What are the federal, state, and local motor fuel tax rates?

The tax rates for a gallon of motor fuel vary by county. The maximum rate for gasoline is 55.2 cents per gallon. The maximum rate for diesel is 56.2 cents per gallon.

LEVEL	TAX	AMOUNT
<b><u>Federal</u></b>		
(Not Indexed)	Fuel Excise Tax	Gasoline - 18.4¢/gal Gasohol - 18.4¢/gal Diesel - 24.4¢/gal
<b><u>State (Distributed to FDOT)</u></b>		
(Indexed)	Fuel Sales Tax	All Fuels - 13.4¢/gal
(Indexed)	SCETS Tax	Gas/Gasohol - 6.1¢ to 7.4¢/gal Diesel - 7.4¢/gal
<b><u>State (Distributed to Local Gov'ts)</u></b>		
(Not Indexed)	Constitutional Fuel Tax	All Fuels - 2¢/gal
(Not Indexed)	County Fuel Tax	All Fuels - 1¢/gal
(Not Indexed)	Municipal Fuel Tax	All Fuels - 1¢/gal
<b><u>Local</u></b>		
(Not Indexed)	Ninth-Cent Fuel Tax	Gas/Gasohol - 0 to 1¢/gal Diesel - 1¢/gal
(Not Indexed)	Local Option Fuel Tax	Gas/Gasohol - 0 to 11¢/gal Diesel - 6¢/gal

### 2. Is the motor fuel tax rate impacted by changing fuel prices?

With the exception of the off-highway sales tax on dyed diesel, the motor fuel tax rate is charged on a per gallon basis. Therefore, the motor fuel tax rate is not impacted by the price of fuel.

### 3. If the motor fuel tax rate was increased by one cent per gallon, how much additional revenue would be generated?

If the motor fuel tax rate were to be increased by one cent per gallon, it would generate about \$101 million in additional fuel tax revenue per fiscal year (total gallons times one cent, less refunds and administrative charges).

### 4. Is the motor fuel tax rate adjusted for changes to inflation?

The state portion of the motor fuel tax rate is adjusted (indexed) to the general rate of inflation using the Consumer Price Index (CPI) every January.

**5. How much additional fuel sales tax revenue does the department receive because the fuel sales tax is indexed?**

The department received about \$690 million additional revenue in fiscal year 2015-16 when compared to what collections would have been without fuel tax indexing.

**6. How much fuel tax does the typical Florida driver pay each year?**

The typical Florida driver annually pays \$296 in motor fuel tax (\$111 in Federal fuel tax, \$125 in State fuel tax, and \$60 in Local fuel tax). These amounts equate to approximately two and a half cents per mile.

**7. Can I find out how much fuel tax revenue was generated in my area (county or municipality)?**

To reduce administrative burden, the motor fuel tax is collected at the wholesaler/distributor level rather than the direct consumer. Thus, actual revenue by county is not available because data is reported at the statewide level. The Florida Department of Revenue generates motor fuel gallons used in each county in its "Certified Gallons" report, located at:

<http://dor.myflorida.com/dor/taxes/fuel/>

**8. How much transportation revenue is used for non-transportation purposes?**

During the next ten years, the transfer from transportation revenues to non-transportation purposes averages to about \$321 million annually. These uses include transfers to other programs such as education, the environment, and economic development. In addition, the Florida Legislature occasionally transfers funds from the State Transportation Trust Fund into the General Revenue Fund for general state purposes. The last time this occurred was a transfer of \$150 million to the State School Trust Fund in fiscal year 2011-12.

**9. What is the percentage breakdown of State Transportation Trust Fund receipts?**

In fiscal year 2015-16, the state motor fuel tax comprised 35% of STTF receipts. Motor vehicle tag and title fees were 16%. Aviation fuel tax, rental car surcharge, and documentary stamp taxes combine to be a little more than 6%. Federal Aid, which comes primarily from the federal fuel tax, was 35%. The balance of receipts comes from toll facility reimbursement, local government participation, and other miscellaneous sources.

**10. How much statewide revenue is unrealized by local governments that do not charge the maximum rate for local fuel taxes?**

It is estimated that in Florida, county and municipal governments are foregoing about \$173 million annually in potential local fuel taxes because they do not charge the maximum local fuel tax rate.

## Section 2 - State Highway and Off-Highway Fuel Taxes

### Description

Highway fuel taxes constitute the oldest continuous source of dedicated transportation revenues in the state. Initially levied in 1921 at the rate of 1¢/gallon, the tax experienced periodic increases until 1971, when the rate was set at 8¢/gallon. This rate remained constant until 1983, with the proceeds being shared equally between the Florida Department of Transportation (FDOT or department) (4¢/gallon) and local governments (4¢/gallon). Beginning in 1972, counties were permitted to "piggyback" the state's levy by imposing additional taxes of their own on highway fuels and receiving the associated proceeds. Because these so-called 'local option' taxes now take several forms, a separate section of the report has been devoted to them (see Section 8).

In April 1983, the state's fuel taxes were substantially restructured. The FDOT's share of the existing excise tax was repealed so that the remainder became the local government share which continues to be distributed to counties (3¢/gallon) and municipalities (1¢/gallon). In place of the repealed FDOT 4¢/gallon, a sales tax was applied to the sales of all **motor (gasoline)** and **diesel fuels**, with the proceeds earmarked to the FDOT.

In 1990, the Legislature enacted the largest transportation tax increase in the history of the Department. The fuel sales tax was raised, an additional fuel excise was tax levied, and other user fees were imposed as well. These other user fees will be discussed in Section 4 of this publication.

In 2000, the Legislature redirected millions of dollars of fuel tax collections back to the State Transportation Trust Fund (STTF). For many years these funds had been diverted away from transportation projects to other general needs of the state, including the General Revenue service charges of 7.3% for Fuel Sales Tax, Fuel Use Tax, Off-Highway Fuel Tax, (eliminated July 1, 2000), and for SCETS Tax (eliminated July 1, 2001).

### Highway Fuel Sales Tax

Initially, the Fuel Sales Tax was applied at the state's general sales tax rate of 5%; however, the way in which this tax was applied to fuel sales differs considerably from the method used for all other eligible sales. Whereas a sales tax is typically applied to the total amount of a purchase during a retail transaction, the fuel tax was applied against a legislated retail price per gallon at the point of wholesale distribution.

In effect, the sales tax was administered for collection and perceived by the public as a continuation of the previous excise tax, although the rate per gallon was higher. The legislated average price of all motor and special fuels was initially set at \$1.148/gallon. At a 5% tax rate, this resulted in a tax of 5.7¢/gallon. Between July 1, 1985 and July 1, 1990, this legislated price was adjusted in proportion to annual changes in the gasoline component of the Consumer Price Index (CPI). Except for one statutory provision, the resulting tax per gallon would have varied accordingly. That provision was enacted by the 1985 Legislature which installed a 'floor' beneath

the tax, preventing it from being reduced below its initially calculated level of 5.7¢/gallon, regardless of downward gas price movements. Otherwise, the system operated as an "indexed" fuel tax, with changes to the national average price of gasoline serving as the index.

The timing of the 1983 legislation proved to be less than fortuitous. Gas prices were expected to rise but stabilized instead. During the next several years, gas prices fell far below the prevailing prices at the time the tax was enacted. Were it not for the floor, the per gallon tax rate would have decreased to near the amount prior to April, 1983.

Hoping to devise a system of fuel taxes that better responded to the Department's escalating costs, the 1990 Legislature made several significant changes to the sales tax, effective January 1, 1991. First, it raised the rate of the tax from 5% to 6%, regaining parity with the state's general sales tax rate which had been increased a couple of years earlier. Second, it changed the index to which the legislated price was tied, from the gasoline component of the CPI to the more comprehensive CPI (all items). This was a much less volatile index, one that normally could be forecasted more accurately, better reflecting the Department's overall costs. Third, though the legislated base price of \$1.148 was retained, the base period to which future index values were to be compared was moved forward from a 12-month period in FY 1983-84 to FY 1988-89. Finally, tax rate changes became effective each January 1, as opposed to July 1. Consequently, a given tax rate was made effective during an entire **calendar** year, instead of a fiscal year (FY). Additionally, in order to provide for an immediate inflow of incremental revenue, the minimum tax (floor) was adjusted upward from 5.7¢/gallon to 6.9¢/gallon, effective July 1, 1990. The new figure reflected the result of applying a 6% rate to the legislated price of \$1.148. This procedure remained in place through December 1996.

Beginning January 1, 1997 the method of determining the sales tax was modified. The legislated price of \$1.148 and the sales tax rate of 6% were no longer 'direct factors' in the calculation. Instead, the 'floor tax' of 6.9¢/gallon was then indexed to the CPI (all items), and the base indexing period remained the same 12-month period as in FY 1988-89. The terminal supplier collected almost all of the tax.

The 2004 Legislature approved a one-time fuel tax holiday of 8¢/gallon for the month of August 2004. It also appropriated \$58.0 million from the General Revenue Fund to the STTF to offset the estimated revenue loss of fuel receipts during FY 2004-05.

### **Off-Highway Fuel Sales Tax**

As the name indicates, off-highway fuel (in this case, diesel exclusively) is consumed in various 'off-the-road' activities. Prior to 1983, taxation of such fuel was accomplished under the state's general sales tax laws. By definition, fuel excise taxes on diesel fuel applied then, as now, only to fuel consumed in vehicles subject to registration under the state's motor vehicle licensing laws; in other words, fuel used on the highways. However, when the Legislature enacted the sales tax on fuels in 1983, it omitted the restrictive definitions that prevent a broader application of the excise tax. Consequently, this tax applied to fuel for machinery, equipment, and

certain vehicles which were not specifically exempt from the tax. Through June 1996 the sales tax applied to a gallon of off-highway fuel equivalent to the sales tax applied to a gallon of highway fuel. Beginning July 1, 1996, one gallon of off-highway fuel is taxed at 6% of the fuel's retail sales price or the highway fuel tax rate of 13.3¢ per gallon.

Intrastate railroads, commercial vessels, and construction equipment probably account for most of the receipts generated by the tax. Fuel used by farmers and commercial fishermen, once major components, were granted exemptions from the tax in 1988. Revenues from the use of off-highway diesel fuels would be indistinguishable from those produced by highway fuel consumption except for the fact that the former is not exposed to any of the state and local excise taxes. The Revenue Estimating Conference estimates the tax separately, because its yield is influenced by factors different from those that affect the demand for highway fuels.

### **State Comprehensive Enhanced Transportation System (SCETS) Tax**

Along with raising the rate and altering the structure of the fuel sales tax, the 1990 Legislature levied an additional excise tax on all highway fuels, effective January 1, 1991. This new tax took the place of an existing statutory provision which permitted formation of Metropolitan Transportation Authorities (MTAs) within certain urbanized counties. Once formed, these MTAs were to have broad powers, including those of being able to impose additional fuel taxes and property taxes within their jurisdictions. Mainly because the plans of such authorities and the taxes with which to fund them were subject to approval by referendum, no urbanized area was able to implement the concept during the five-year period that it was available. Therefore, the Legislature repealed the authority to form MTAs and, instead, levied a substitute excise tax which was to be near statewide in scope, and the proceeds of which would be deposited into the STTF.

The tax is unique in several respects. First, its proceeds **must** be spent in the transportation district and, to the extent feasible, in the county from which they are collected. Second, the rate of the tax on gasoline varies by county and was initially set at two-thirds of the total optional fuel tax rate that existed in each county, not to exceed 4¢/gallon. Finally, the SCETS tax on diesel fuel was imposed at a standard rate of 1¢/gallon in **every** county and increased at the rate of one additional cent per gallon each year, until it reached the maximum SCETS tax on gasoline, regardless of the prevailing rate of optional taxes.

Like the fuel sales tax, the SCETS tax is indexed to the general rate of inflation (CPI, all items). In this case, however, the base year for the value of the index is FY 1989-90. Beginning January 1, 1992, and each year thereafter, the SCETS tax rate for both gasoline and diesel in each county is adjusted proportionately to the change in the CPI during the previous applicable 12-month period, and, as with the sales tax, the revised rates apply for the entire calendar year.

### **4¢/Gallon Motor Fuel Tax to Local Governments**

The remaining, previously-imposed excise tax of 4¢/gallon continues to be distributed to local governments. **Two cents** of this tax, called the Constitutional Fuel Tax, was

initially levied under s. 16 of Article IX of the State Constitution of 1885, as amended. Its formula for distribution to the several counties is now contained in s. 9(c)(4) of Article XII of the revised State Constitution of 1968. The first call on the proceeds is to meet the debt service requirements, if any, on local bond issues backed by the tax proceeds. The balance, called the 20 percent surplus and the 80 percent surplus, is credited to the counties' transportation trust funds. **The third cent** is the County Fuel Tax. It is levied under s. 206.41, F.S. and distributed by the same formula as the Constitutional Fuel Tax. **The fourth cent** is termed the Municipal Fuel Tax and is levied under s. 206.41, F.S. Revenues from this tax are transferred into the Revenue Sharing Trust Fund for Municipalities, joined with other **non-transportation** revenues, and distributed in accordance with criteria contained in Chapter 218, F.S.

### **Alternative Fuel Fees**

Alternative fuels are non-conventional fuels such as propane, butane, and other liquefied petroleum gases (LPG) or compressed natural gases (CNG). Use of such fuels represents only a very small part of the state's total fuel consumption. Total statewide receipts from the fees on alternative fuels historically amounted to less than \$1 million annually. Prior to January 2014, owners of vehicles titled in Florida paid their fuel taxes through the purchase of an annual decal, the price of which varied according to the type of vehicle involved and the total amount of state and local diesel fuel taxes in effect in the county of residence. Out-of-state vehicles incurred their tax at the pump at the equivalent of the SCETS, Constitutional, County, Municipal, Ninth-cent, and Local Option taxes on diesel fuel. Collections were distributed to the regular recipients of and in proportion to the taxes upon which the Alternative Fuel Fees were based. In order to encourage the use of alternative fuels, the 2013 Florida Legislature passed legislation to exempt these fuels from taxation beginning January 1, 2014 and ending January 1, 2019. At that time, there will be a per unit tax which is lower than the tax rates for gasoline and diesel but revenue-neutral to the previous in-state annual decal fee. In addition, the Legislation created a rebate program for conversion to alternative fuel powered vehicles funded by the General Revenue Fund and administered by the Department of Agriculture and Consumer Services.

### **Fuel Use Tax**

Imposed by the Florida Special Fuel and Motor Fuel Use Tax Act of 1981, this tax is designed to ensure that heavy vehicles which engage in interstate operations incur taxes based upon fuel consumed, rather than purchased, in the state. Prior to the law's passage, operators of such vehicles were able to buy fuel (often at lower prices) in a neighboring state, use the fuel on Florida's roads, and, if the state in which the fuel was bought had a similar tax, receive a refund for taxes paid but not incurred. Thus, Florida's roads received uncompensated damage, vehicles consumed untaxed fuel, and the state's retail fuel outlets, particularly those in the northern tier, were deprived of sales that otherwise might have occurred.

Every state in the nation now imposes such a tax via the International Fuel Tax Agreement. In Florida, it applies, with few exceptions, to each privately-owned vehicle with at least three axles or a gross weight of more than 26,000 pounds that

engages in interstate operations, whether or not titled in this state. The tax is comprised of an annual decal fee of \$4.00 plus a use tax based upon the number of gallons of fuel consumed multiplied by the prevailing statewide fuel tax rate. The decal serves as an identifying device to validate that a vehicle is registered to use the state's roads and to ensure receipt of applicable tax returns. If, during a reporting period, a vehicle consumes more fuel than was purchased, additional taxes are due. Otherwise, a credit or refund is issued. Distributions of tax receipts are made to the recipients of and in proportion to the taxes that are used to calculate the total Fuel Use Tax rate.

**Source of Present Law**

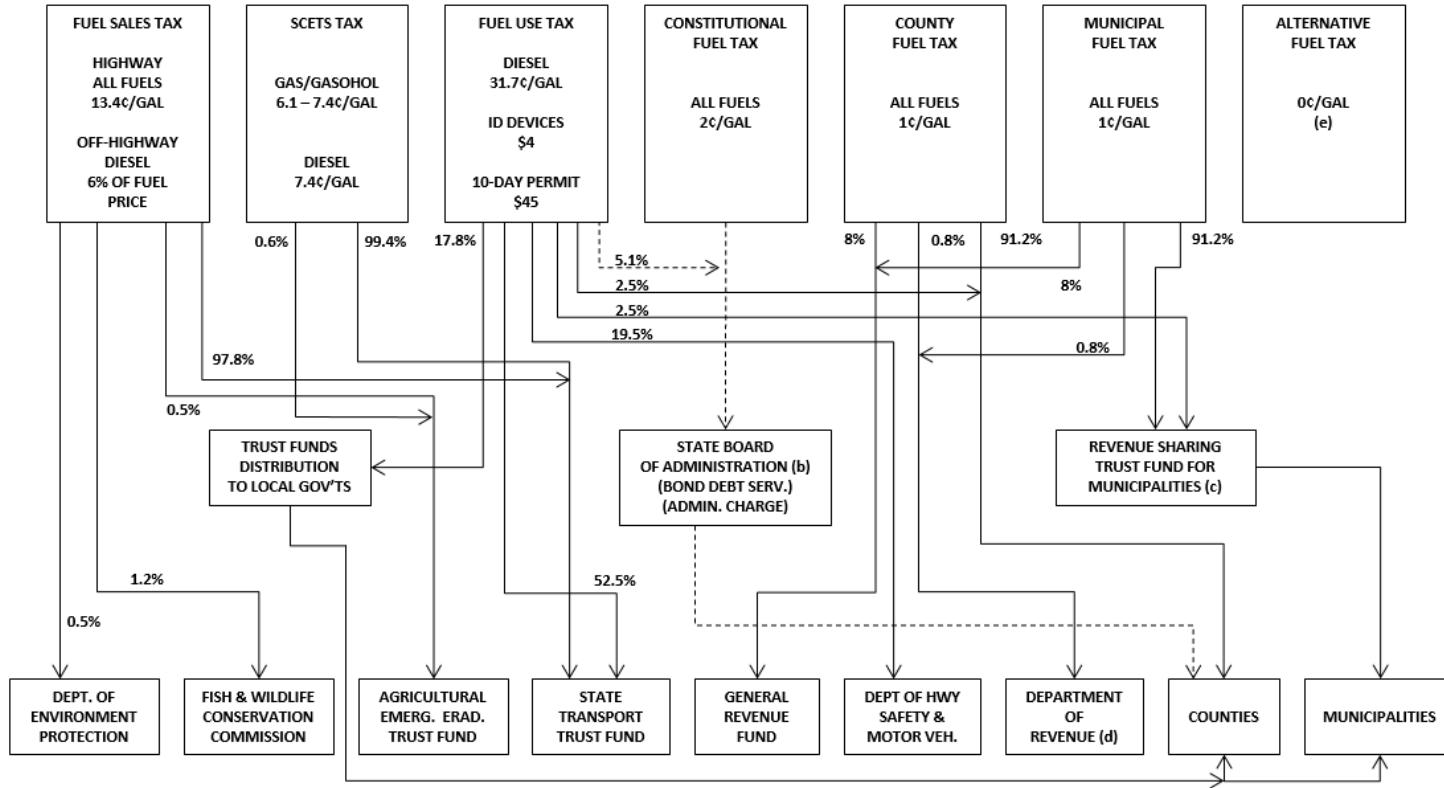
Chapters 206 (Parts I & II), 207, 212, and 336, Florida Statutes.

The following chart (Figure 5) is a graphic presentation of state highway fuel taxes with their distributions.



Figure 5 - State Highway Fuel Taxes and Their Disposition

STATE HIGHWAY FUEL TAXES AND THEIR DISPOSITION (a)  
(AS OF JANUARY 1, 2017)



(a) Exemptions, refunds, credits, collection allowances and administrative charges (unless specified) are not included. Distribution percentages are approximate. 2.1 c/gallon for pollutant excise taxes and fuel inspection fees are excluded.  
 (b) Residual proceeds, after payment of debt service, distributed to counties.  
 (c) A portion of sales and use tax collections are also deposited into this trust fund.

(d) Costs incurred in the administration of the tax.  
 (e) No tax is charged 2014 until 2019.

## **Section 3 - Federal Highway Fuel Taxes**

### **Description**

Federal excise taxes on fuels used in highway travel were first imposed in 1932 at a rate of 1¢/gallon. Through the ensuing years, this rate was adjusted several times until 1959, when it was set at 4¢/gallon. This rate remained constant on all fuels until January 1, 1979, when gasohol was accorded a full exemption from the entire tax. On April 1, 1983, in connection with a major restructuring of federal highway taxes, the rates on gasoline and diesel fuels were raised to 9¢/gallon, and the exemption for gasohol was increased to 5¢/gallon. With passage of the Deficit Reduction Act of 1984, the tax on diesel fuel was raised to 15¢/gallon, effective August 1, 1984. That same legislation increased the tax exemption accorded gasohol to 6¢/gallon, effective January 1, 1985.

Since the establishment in 1956 of the Federal Highway Trust Fund, federal highway fuel taxes were dedicated to and used exclusively for the development of the nation's surface transportation system. This long-standing tradition was interrupted with the enactment by Congress of the Omnibus Budget Reconciliation Act of 1990, the primary purpose of which was to impose constraints on the federal government's soaring budget deficit. Toward this end, additional taxes were imposed on all highway fuels, effective December 1, 1990. However, of the resulting revenue increases, only one-half was directed to the Federal Highway Trust Fund; proceeds from the other half were deposited into the General Fund. In general, the new law increased the federal tax rates on all fuel by five cents per gallon, 2.5 cents of which was earmarked for deficit reduction. Gasoline moved from 9 cents to 14 cents and diesel fuel from 15 cents to 20 cents. The rate for gasohol was raised from 3 cents to 8.6 cents per gallon, as its related exemption was lowered from 6 to 5.4 cents per gallon. In addition to the foregoing rates, a 0.1¢/gallon tax was imposed on all fuel types to help fund the cleanup associated with leaking underground storage tanks. With enactment of the Intermodal Surface Transportation Efficiency Act of 1991, fuel taxes directed to the Federal Highway Trust Fund were scheduled to remain in place until September 30, 1999, while those earmarked for deficit reduction were to expire on September 30, 1995.

In still another effort to reduce the federal budget deficit, Congress passed the Omnibus Budget Reconciliation Act of 1993. Among its various revenue and expenditure provisions, this legislation added another 4.3 cents per gallon to the rates on all highway fuels, effective October 1, 1993. In this case, the entire increase was directed to the General Fund for deficit reduction. In partial recompense, the 2.5 cents which was already being deposited into the General Fund, was extended to September 30, 1999 and redirected to the Federal Highway Trust Fund on October 1, 1995, its original expiration date. In view of an improved budget deficit outlook, Congress passed the Taxpayer Relief Act of 1997. This legislation transferred the 4.3 cents per gallon (formerly dedicated to deficit reduction) from the General Fund to the Highway Trust Fund effective October 1, 1997 for all fuel types. With enactment of the Transportation Equity Act for the 21st Century (TEA-21) in 1998, fuel taxes directed to the Federal Highway Trust Fund remained in place through September 30, 2005.

The 0.1¢/gallon tax associated with the cleanup of leaking underground storage tanks expired (effective January 1, 1996) and was subsequently reinstated (effective October 1, 1997). The federal tax rates on highway fuels now amount to 18.4¢/gallon on gasoline and gasohol, and 24.4¢/gallon on diesel fuel. Combining the federal, state, and local option taxes, the Florida consumer now pays maximum total taxes of 55.1¢ (gasoline/gasohol) and 56.1¢ (diesel) on each gallon of fuel purchased.

*The Florida consumer now pays maximum total taxes of 55.1¢ (gasoline/gasohol) and 56.1¢ (diesel) per gallon.*

### **Florida's Share of Federal Tax Revenues**

Fuel taxes are only one of several sources of federal highway user charges that are deposited into the Federal Highway Trust Fund (see Section 5). Funds are distributed to the states from the Federal Highway Trust Fund through a system of formula grants and discretionary allocations by the Federal Highway Administration in Washington, D.C. Of the 5¢/gallon increase in federal highway fuel taxes which was imposed on April 1, 1983, 1¢/gallon was earmarked to a special account (Mass Transit Account) to finance capital expansion needs of local government transit systems. This distributional ratio was maintained in the 1990 deficit reduction act when 0.5¢ of the 2.5¢/gallon increase to the Federal Highway Trust Fund was designated for the Mass Transit Account. Similarly, the Mass Transit Account received 0.5¢ of the 2.5¢/gallon which was redirected from the General Fund to the Federal Highway Trust Fund beginning October 1, 1995. With passage of the TEA-21, an additional 0.86¢/gallon (of the 4.3¢/gallon which was redirected from the General Fund to the Federal Highway Trust Fund) was retroactively transferred to the Mass Transit Account beginning October 1, 1997. The most recent authorization bill, the Fixing America's Surface Transportation Act (FAST) signed December 4, 2015, continues these returns to the Federal Highway Trust Fund. To supplement the proceeds of highway-user taxes, the following additional transfers were directed to be made to the Federal Highway Trust Fund:

- \$300 million from the Leaking Underground Storage Tank Trust Fund, to be deposited into the Highway Account in three annual installments
- \$51.9 billion from the General Fund of the Treasury to be deposited into the Highway Account immediately upon enactment of the bill
- \$18.1 billion from the General Fund of the Treasury to be deposited into the Mass Transit Account immediately upon enactment of the bill

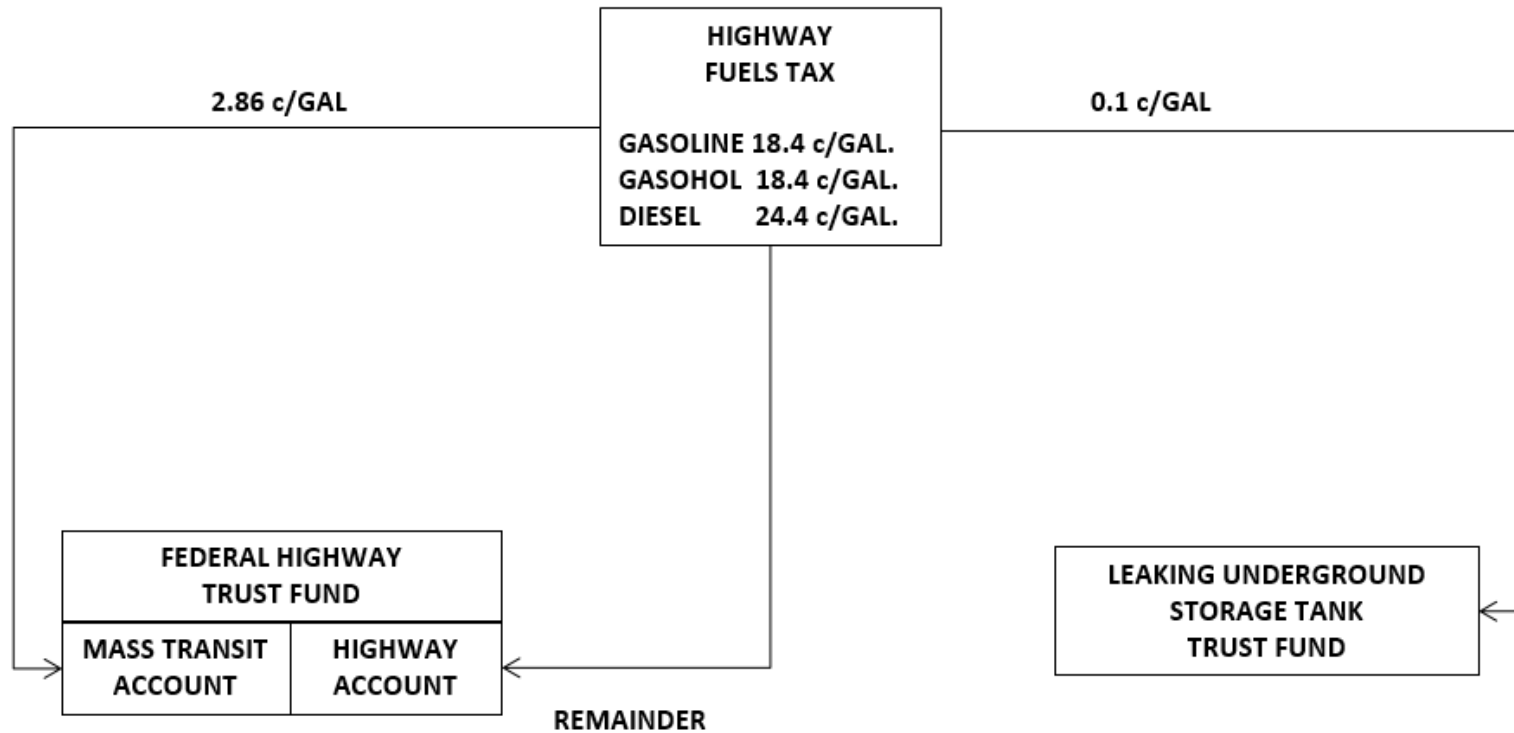
### **Source of Present Law**

Title 26, United States Code. ("Internal Revenue Code")

The following chart (Figure 6) is a graphic presentation of federal highway fuel taxes with their distributions.

Figure 6 - Federal Highway Fuel Taxes and Their Disposition

## FEDERAL HIGHWAY FUEL TAXES AND THEIR DISPOSITION (AS OF JANUARY 1, 2017)



## Section 4 - State Motor Vehicle Fees

### Description

Funding transportation from vehicle-related revenues started very early in Florida's transportation history. Almost from their inception, motor vehicle license fees were designated as a highway user charge levied to partially defray the costs of constructing and maintaining the roads which benefited those who paid the fees. This philosophy remains a part of the current vehicle registration statutes.

*There have been no increases to the transportation portion of the base registration fee since 1983.*

Recognizing the tremendous burden that a rapidly growing vehicle fleet was placing on the state's highway system, the Legislature in 1990 included several new vehicle fees in the major transportation funding package enacted that year. Afterward, in addition to the long-standing Motor Vehicle License Fee, three other vehicle-related imposts provide a considerable share of the department's total financial resources. These are: the Initial Registration ("New Wheels on the Road") Fee, the Motor Vehicle Title Fee, and the Rental Vehicle Surcharge.

### Motor Vehicle License Fees

Although these fees provided the very first funding source for the FDOT's activities (1915), their use for transportation was terminated in 1931. Not until 1977, when the Legislature directed that 36.5% of the gross proceeds from the tax be deposited into the STTF, was the original intent of the fees at least partially reinstated.

In 1981, an additional part of the proceeds was earmarked to transportation when the Legislature discontinued using any of the fees as a general fund source, and, instead, dedicated the previous general revenue share to completing the state's Interstate Highway System. That change resulted in a three-way distribution which allocated the constitutional first proceeds to educational needs, the second proceeds to general transportation needs, and the remainder to the Interstate System exclusively.

In May 1983, both the fee structure and the system of distribution underwent substantial change. Annual fees on autos and small trucks were increased by 7% to 16% depending on weight class, while fees for the three heaviest categories of truck-tractors were raised by 60% to 113%. The distribution scheme was altered so that the annual Interstate share of revenues was reduced to a constant \$25 million, with the residual (excluding education's first proceeds) earmarked to general transportation needs.

In 1985, the Legislature decided that a separate state source of Interstate funding was no longer required, and so it abolished the dedicated fund into which part of the license fees had been deposited during the previous four years. After the educational requirement was satisfied, the entire residual proceeds were deposited into the STTF.

Motor vehicle license fees also played a part in the major revenue package that was enacted in 1990. Although none of the annual registration fees which applied to the various categories of vehicles were raised, two changes were made which provided significant additional income. The first eliminated the ability of the owners of most vehicle types to purchase tags for a period of less than a whole year (fractional tags). The second, having a similar effect, eliminated the ability to obtain a refund for a license tag not yet expired. The combination of these actions results in each tag sold producing its full, annual statutory fee.

There have been no increases in the transportation portion of base motor vehicle registration fees since 1983. With Florida's economy struggling, the 2009 Legislature made rate changes to various motor vehicle fees with the additional proceeds being distributed to the General Revenue Fund. The 2014 Legislature decreased the base registration fees back to what they were before 2009 for private automobiles, light trucks, antique cars, and motorcycles. This had the effect of eliminating the portion deposited into the General Revenue Fund. Base registration fees for heavy trucks, for-hire vehicles, and other miscellaneous autos such as buses and trailers were not changed by the 2014 Legislature.

### **Motor Vehicle License Surcharge**

Effective July 1991, as a partial offset to an early payback of a previous FDOT loan from the state's General Revenue Fund, the Legislature imposed a \$2.00 surcharge on the annual registration fee of every vehicle except mobile homes. All of the proceeds from this surcharge were deposited into the STTF. The 2009 Legislature increased the \$2 surcharge to \$4, with the increased \$2 being distributed to the General Revenue Fund. In 2011, the Legislature moved the Office of Commercial Vehicle Enforcement (formerly a portion of The Office of Motor Carrier Compliance) from the Department of Transportation to the Department of Highway Safety and Motor Vehicles. In lieu of an annual transfer of funds between the departments of Transportation and Highway Safety to fund the operating costs of the program, \$1 of the \$4 surcharge was redirected from the STTF to the Highway Safety and Operating Trust Fund in 2013. The very next year, the 2014 Legislature altered the amount and distribution of this surcharge again. First, the \$2 General Revenue portion was eliminated, in order to bring the fee back to what it was before the 2009 registration fee increase. In addition, the \$1 Highway Safety Operating Trust Fund portion was reduced by 80 cents to offset the equivalent increase in 2009 of the advanced plate replacement fee. The License Tax Surcharge is now \$1.20, with \$1 deposited into the STTF and 20 cents deposited into the Highway Safety Operating Trust Fund.

### **Initial Registration Fee**

This is one of three vehicle taxes which the 1990 Legislature increased and from which it directed a share of proceeds to finance transportation improvements. This one-time fee was originally levied in October 1989 in the amount of \$30, with the entire yield dedicated to funding law enforcement activities. Known originally as the 'New Wheels on the Road' Fee, it is designed primarily to affect only those vehicle owners whose actions result in net additions to the state's registered vehicle stock. This is accomplished by exempting several kinds of registration transactions and by

allowing refunds of the fee, if another eligible vehicle is disposed of within 90 days. The fee applies only to automobiles, light trucks, and certain recreational vehicles.

In 1990, the Legislature increased the fee to \$100, directing the additional \$70 (less a General Revenue service charge) to the STTF. The other \$30 continued to be deposited into the Law Enforcement Trust Fund. In 1991, two changes were made. First, the \$30 portion of the fee was redirected to the state's General Revenue Fund in lieu of the Law Enforcement Trust Fund. Second, as an additional offset to the early loan repayment cited earlier, the entire proceeds of the \$100 fee (less the General Revenue service charge) were deposited into the STTF for a two-year period between July 1, 1992 and June 30, 1994. Beginning July 1, 2001, the General Revenue service charge portion (7%) was redirected to the STTF. Beginning July 1, 2005, the entire \$100 fee was distributed to the STTF. The 2009 Legislature increased the Initial Registration Fee to \$225, with the increased \$125 being distributed into the General Revenue Fund and \$100 continuing to be distributed into the STTF. The distribution schedule was again changed by the 2014 Legislature, reducing the General Revenue portion to \$93 and directing \$32 to the Highway Safety Operating Trust Fund. The STTF amount remained the \$100. That would change in 2015 when the Legislature redirected the General Revenue portion of Initial Registration Fees to the STTF as a partial offset to the reduction of the STTF portion of documentary stamp taxes due to implementation of the Water and Land Conservation Amendment (see Section 9). The STTF portion of the \$225 Initial Registration Fee is now 85.7%, or \$193.

### **Motor Vehicle Title Fees**

The practice of issuing titles, or certificates of ownership, for each vehicle registered in the state began in 1923. In 1941, the basic charge for this service was set at 50 cents. The fee was increased to \$1.00 in 1947, and then to \$3.00 in 1967. It remained at that level through 1990. Throughout its history, all collections from the imposition of these fees had been deposited into the state's General Revenue Fund until 1989, when \$1.00 of the fee was directed to the Odometer Fraud Prevention and Detection Trust Fund.

In conjunction with its other major transportation funding initiatives, the 1990 Legislature raised the basic fee for original and duplicate certificates of title to \$24.00, effective January 1, 1991. Of this amount, \$21.00 was distributed to the STTF. The remaining \$3.00 was distributed to the General Revenue Fund. The \$21.00 incremental increase did not apply to salvage or for-hire vehicles. The General Revenue service charge of 7% for Motor Vehicle Title Fees was eliminated July 1, 2000.

The 2009 Legislature increased Motor Vehicle Title Fees to \$70, distributing \$49 to the General Revenue Fund and continuing to distribute \$21 to the STTF. All title fees revenue from for-hire vehicles is deposited into the General Revenue Fund. The 2012 Legislature directed that the first \$200 million collected from \$47 of the \$49 General Revenue Fund portion of the \$70 title fee be deposited into the STTF, beginning FY 2012-13; however, this amount was to be then transferred to the General Revenue Fund for FY 2012-13 only.

### **Rental Car Surcharge**

This fee is the third of the three vehicle-related charges assessed by the 1990 Legislature in its efforts to enhance transportation funding. Like the Initial Registration Fee, it was originally imposed in October 1989. The initial surcharge was set at \$0.50 per day, and applied to each of the first 30 days of either the lease or rental of a motor vehicle licensed for-hire that was designed to carry less than nine passengers. The proceeds of the \$0.50 surcharge were distributed 20% to the Law Enforcement Trust Fund (managed by the Department of Highway Safety and Motor Vehicles) and 80% to the Children and Adolescents Substance Abuse Trust Fund (managed by the Department of Health and Rehabilitative Services).

In 1990, the Legislature raised the surcharge to \$2.00 per day, effective July 1, 1990, and revised the distribution scheme so that, after administrative and the 8% General Revenue service charges (increased from 7.3% to 8% by the 2009 Legislature) are deducted, the STTF received 75% of the total proceeds, and the remaining 25% was divided between the former recipients in the same relative proportion. The 1991 Legislature revised the distributions still further: The 5% of total receipts that had been deposited into the Law Enforcement Trust Fund was redirected to the General Revenue Fund. The share previously distributed to the Children and Adolescents Substance Abuse Trust Fund (20% of the total) was, instead, divided between the Tourism Promotional Trust Fund (15.75%) and the Florida International Trade and Promotion Trust Fund (4.25%). In 2000, the Legislature redirected the General Revenue Fund portion (5% of the total) to the STTF. FDOT now receives 80% of the surcharge after deducting costs of administration and an 8% General Revenue service charge. The tax distributed to the STTF is unique in that, beginning in FY 2007-08, its proceeds **must** be spent in the transportation district from which the surcharges were collected. In an effort to better conform with changes to industry, the 2014 Legislature changed the fee structure for car-sharing services or "zip cars," beginning January 1, 2015. These vehicles now only pay \$1 if the rental is for less than 24 hours. The distribution of proceeds from the surcharge on "zip cars" is the same as that for other rentals.

### **Source of Present Law**

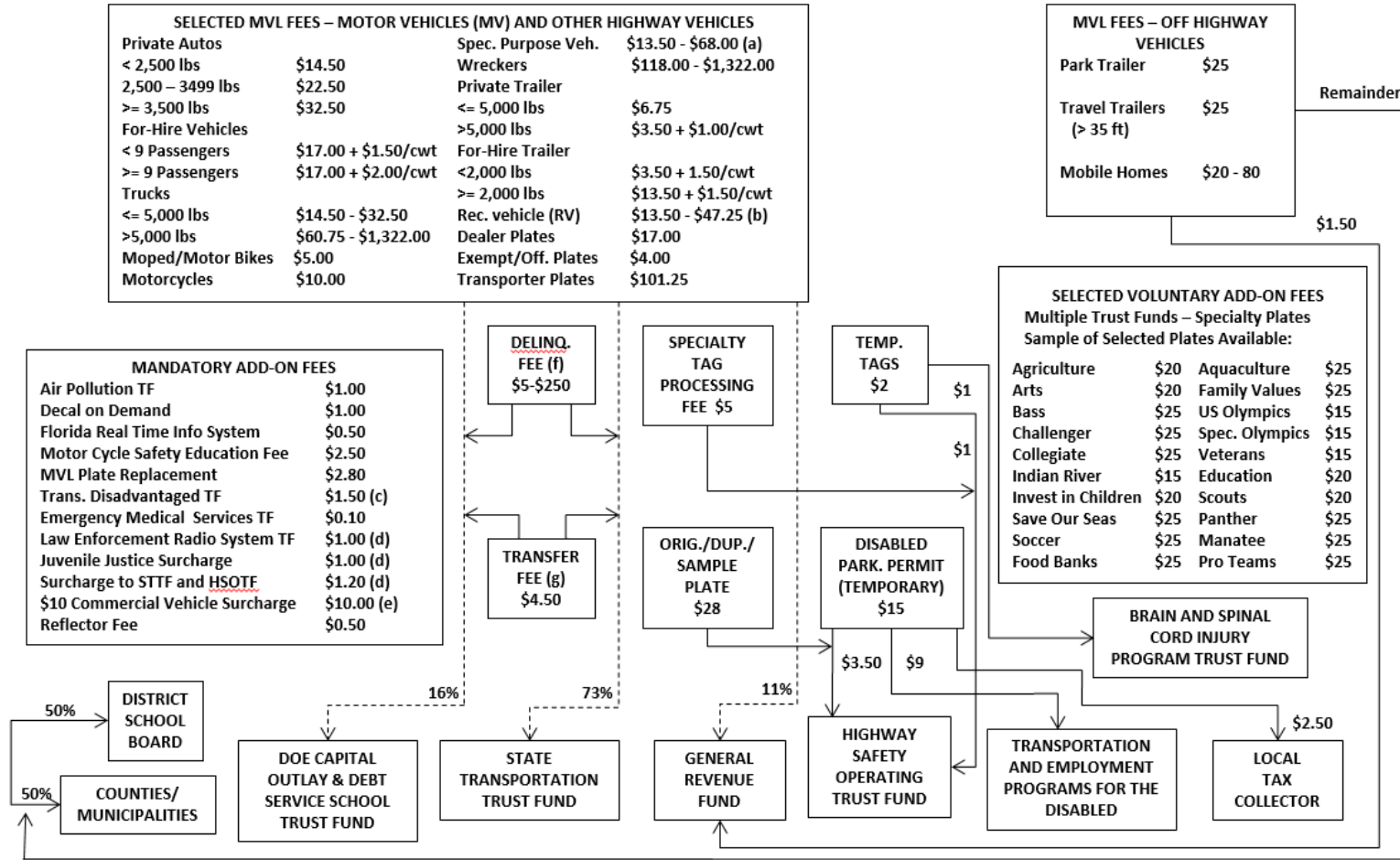
Chapters 212, 319, and 320, Florida Statutes.

The following charts (Figure 7 and Figure 8) are a graphic presentation of state motor vehicle tag and title fees with their distributions.



Figure 7 - Florida Motor Vehicle License Fees and Their Disposition

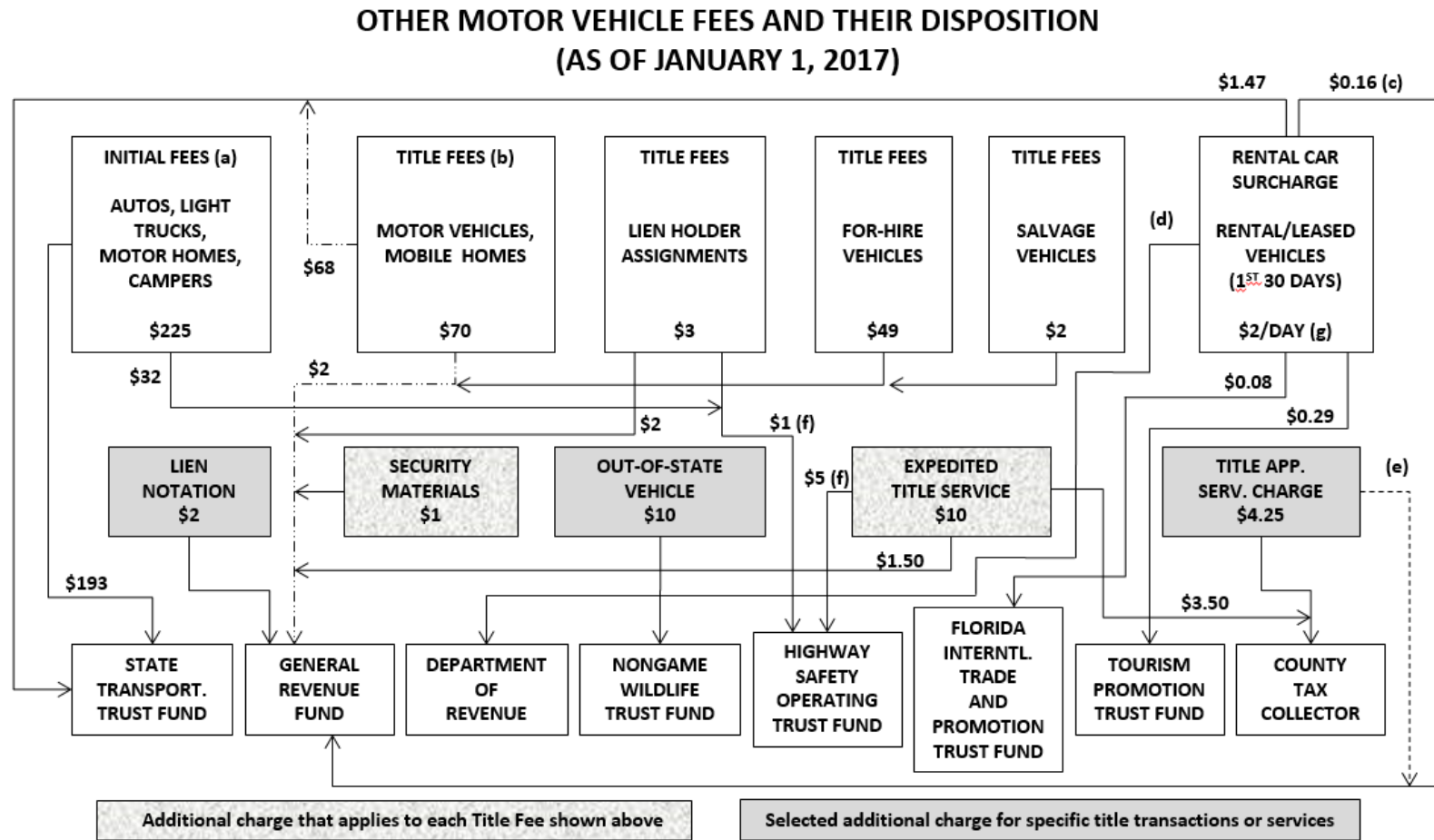
### FLORIDA MOTOR VEHICLE LICENSE FEES AND THEIR DISPOSITION (AS OF JANUARY 1, 2017)



-----> Distribution percentages are approximate

(a) Includes semitrailers, school buses, ambulances, etc.  
 (b) Includes travel trailers (<= 35 ft), camping trailers, motor homes, truck campers, etc.  
 (c) Fee applies to all private autos and light trucks (<= 5,000 lbs).  
 (d) Fee does not apply to mobile homes  
 (e) Fee applies to commercial motor vehicles with gross weight >= 10,000 lbs.  
 (f) Delinquent fees based on vehicle's required license tax. First proceeds go to education.  
 (g) Fee does not apply if original and replacement vehicle is either private auto or light truck under (<= 5,000 lbs) , with first proceeds going to education.

Figure 8 - Other Motor Vehicle Fees and Their Disposition



- (a) Fee imposed, if listed vehicle represents a net addition to the state's vehicle stock.
- (b) Excludes both For-Hire and Salvage vehicles. Also excludes additional \$1 fee for each new mobile home and new recreational vehicle title transaction, which is deposited into the Motor Home and Recreational Vehicle Trust Fund.
- (c) 8% General Revenue service charge.
- (d) Dept. of Revenue administrative charge, which is less than 0.5%.
- (e) \$4.25 application service charge deposited into General Revenue Fund, if title processed by Department of Highway Safety and Motor Vehicles.
- (f) Each of these Title Fee portions is used by Department of Highway Safety and Motor Vehicles to prevent and detect odometer fraud.
- (g) Rentals related to car-sharing services pay \$1 if less than 24 hours.

-----> \$21 TO STTF, \$47 FIRST \$200M TO STTF AFTER THE REST TO GR

## **Section 5 - Federal Excise and Heavy Truck Use Taxes**

### **Description**

The federal government has levied various kinds of charges on the nation's highway-users continuously since 1917, when it first imposed a manufacturer's excise tax on the sales of all types of engine-driven highway vehicles. This tax was supplemented in 1919 with the imposition of a 'use tax' on commercial autos and additional excise taxes on vehicle parts and accessories, tires, and inner tubes.

Beginning in 1932, the federal excise tax was extended to highway fuels and lubricating oil. In 1941 trailers were included among the vehicles subject to the manufacturer's tax. Finally, in 1956, tread rubber was added to the commodities taxed, the highway use tax was confined to heavy vehicles only (trucks and buses over 26,000 lbs. gross vehicle weight or "GVW"), and the Federal Highway Trust Fund was established as the depository for most of the revenues these taxes produced.

### **Recent Changes**

The structure and relative importance of the individual taxes have undergone frequent changes. Rates have been raised and lowered; some taxes have been permanently repealed; and others have been suspended only to be subsequently reinstated.

Prior to enactment of the Highway Revenue Act of 1982 (Title V of the Surface Transportation Assistance Act of 1982), the taxes on items other than highway fuels and their relative contribution to trust fund tax receipts consisted of: (1) tires at 10¢/lb., yielding 9% of revenues; (2) inner tubes at 10¢/lb., 0.5%; (3) tread rubber at 5¢/lb., 0.5%; (4) trucks and trailers over 10,000 lbs. GVW at 10% of manufacturer's sales price, 10%; (5) parts and accessories for heavy trucks and trailers at 8% of the manufacturer's price, 4%; (6) lubricating oil at 6¢/gallon, 2%; and (7) the Heavy Vehicle Use Tax at \$3.00/1,000 lbs. GVW, 4%. The remaining 70% of tax receipts was provided from the taxes on highway fuels.

In January 1983, an extensive restructuring of federal highway user charges was undertaken with the signing of the new Highway Revenue Act. The changes accomplished two purposes: (1) they substantially increased revenues which had been far short of that needed by the federal transportation system; and, (2) they more closely aligned fees with the actual costs incurred by the system's users. Although some of the replacement taxes were to be phased in over time, and many details including specific rate schedules and exemptions are omitted here, the new tax structure could be summarized as follows:

A major increase in the highway fuel tax, from four to nine cents per gallon was enacted. This component accounted for virtually the entire increase in projected revenues to the trust fund, and was described previously in Section 3. The tax on automobile tires was eliminated, but the rate on truck tires was raised considerably, depending on tire weight. The tax on all inner tubes was repealed, as was the tax on tread rubber. The 10% manufacturer's excise tax on trucks and trailers was converted to a 12% retail tax, with the minimum weight applicability raised to 33,000 lbs. GVW for trucks and 26,000 lbs. GVW for trailers. Except for very limited

instances, the tax on truck parts and accessories was repealed. The tax on lubricating oil was also repealed.

The most significant changes related to the Heavy Vehicle Use Tax. Although the minimum weight limit was raised to 33,000 lbs. GVW, the tax rates were increased very substantially. The rates varied by three different weight classes, were to be phased in over a five-year period, and contained a maximum tax of \$1,900 per vehicle in 1988 (as compared to \$240 in 1982).

### **Shift to Diesel Fuel Tax**

Subsequent to the passage of the Highway Revenue Act of 1982, Congress rescinded a portion of the Heavy Vehicle Use Tax within the Deficit Reduction Act of 1984 which, effective July 1, 1984, raised the minimum applicable weight limit to 55,000 lbs. GVW and reduced the maximum tax to \$550. To compensate for the ensuing revenue reduction, the tax on diesel fuel was increased to 15¢/gallon, as cited earlier.

In summary, the federal user fee structure was redesigned so that the increased taxes on fuel would yield all of the additional revenues sought. All other changes were, in the aggregate, planned to be essentially revenue-neutral, and were put into place to improve user equity and reduce the administrative burden.

### **Current Status of Federal Excise Taxes**

Except for extending the duration of the various excise taxes and authorizing the transfer of their proceeds into the Federal Highway Trust Fund through 2022 (2023 for Heavy Vehicle Use Tax), none of the several transportation revenue acts enacted since 1984 made any substantive changes to the structure of these non-fuel excise taxes. According to the latest data available, fuel taxes represent roughly 85.4% of total federal highway taxes collected. The remainder is made up primarily from the

12% retail tax on heavy vehicles (10.1%); the Heavy Vehicle Use Tax (3.4%); and the tax on tires (1.1%).

*Fuel taxes represent roughly 85.4% of total federal highway taxes collected.*

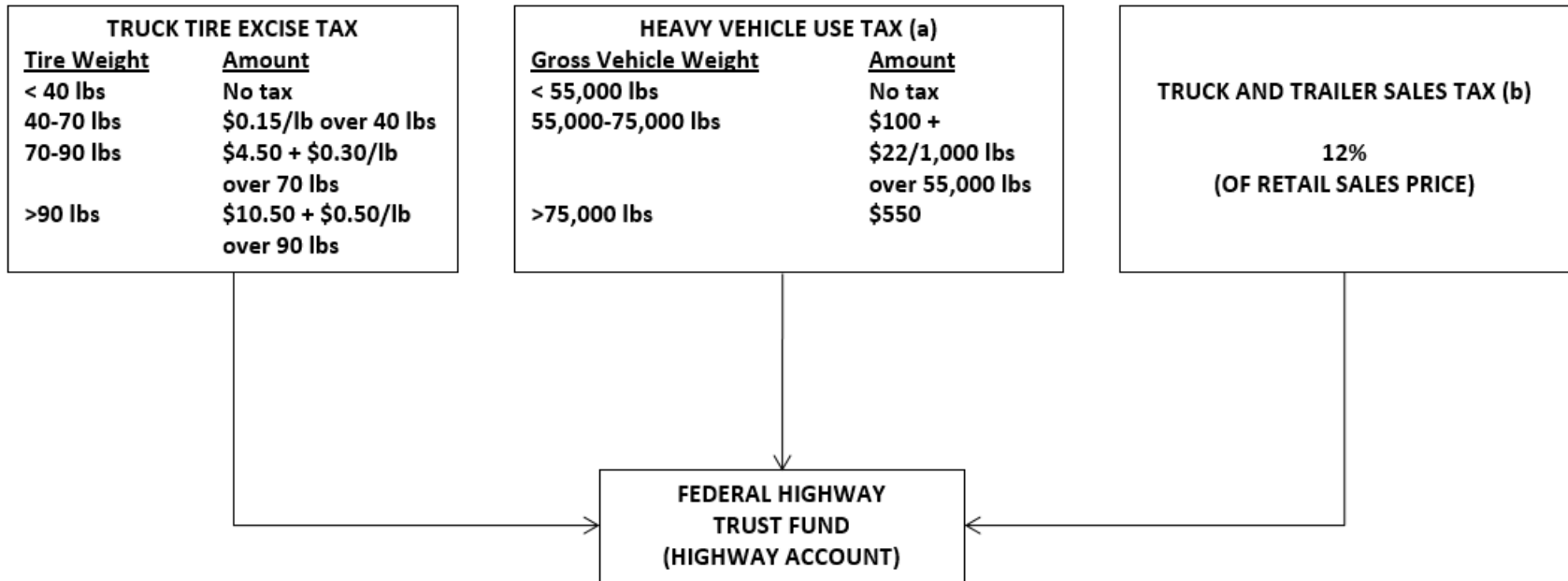
### **Source of Present Law**

Title 26, United States Code. ("Internal Revenue Code")

The following chart (Figure 9) is a graphic presentation of federal excise and heavy use taxes with their distributions.

Figure 9 - Federal Excise/Heavy Truck Use Taxes and Their Disposition

## FEDERAL EXCISE AND HEAVY TRUCK USE TAXES AND THEIR DISPOSITION (AS OF JANUARY 1, 2017)



- (a) This is an annual tax. Taxable period is July 1 – June 30. Tax liability incurred as of the first month vehicle is used during the taxable period (prorated) .
- (b) Applies to trucks with gross vehicle weights (GVW) exceeding 33,000 lbs and to trailers with gross vehicle GVW exceeding 26,000 lbs.

## Section 6 - State Aviation Fuel Tax

### Description

When the state first levied its 1¢/gallon excise tax on fuels in 1921, all motor fuels, even those used in aircraft engines, were included. At that time, aviation was in its infancy and accounted for only a minor portion of total fuel consumption. However, by 1935, the fuel tax rate had reached 7¢/gallon and aviation activities were increasing substantially. The Legislature, in order to help promote the development of this new industry, exempted all aviation fuels from the entire excise tax, an exemption which remained in place for the next 50 years.

In 1949, when the state initiated its general sales tax (the Florida Revenue Act of 1949), sales of **all** fuels, including those consumed in aviation, were exempted from the new levy. Aircraft fuels remained totally exempt from state taxation until 1963, when the Legislature decided to apply the full sales tax on fuels used in general aviation and **intrastate** carrier operations and a "prorated" tax on fuels consumed in **interstate** and **foreign** commerce.

Proration was a system whereby a carrier purchasing fuel in Florida paid only a portion of the total sales tax for which it normally would be liable. The share any carrier (airline company) paid was in direct relation to the proportion that its miles traveled within Florida's airspace bore to its total, worldwide fleet mileage. On average, proration resulted in the state realizing only about 6% of the fuel tax revenues that would have been collected from interstate and foreign carriers had they been subject to full taxation on their fuel purchases.

In April 1983, along with other substantial changes made to Florida's transportation taxes, the Legislature restructured the state's aviation fuel taxes. First, it permitted aviation fuels to remain exempt from the state's fuel excise taxes (now reduced to 4¢/gallon) and any additional 'piggyback' taxes that local governments were authorized to impose. Second, the practice of prorating the fuel taxes owed by interstate and foreign air carriers was terminated, and **all** aviation fuels were made subject to precisely the same sales tax that was levied on highway fuels. Finally, collections of aviation fuel taxes, which had been deposited into the state's General Revenue Fund, were earmarked for use by the FDOT.

### A Return to Excise Taxes

Almost immediately upon enactment of the new aviation fuel tax, virtually every major airline serving the state, including most of the foreign carriers, filed a suit challenging the legality of the tax. While the lawsuits were in progress, the litigants were permitted to place their related tax payments into escrow. Although the state judiciary upheld the constitutionality of the tax, its decisions were appealed to the U.S. Supreme Court. In the meantime, in order to break the revenue stalemate, the 1985 Legislature modified the aviation fuel tax structure. Instead of the tax being calculated as a percentage of an artificial retail price, it was set at a constant 5.7¢/gallon and re-established as an excise tax. In addition, the proceeds of the tax were directed to the state's General Revenue Fund, instead of STTF.

Soon after the 1985 Legislature adjourned, the U.S. Supreme Court refused to hear the appeals filed by the domestic airlines. This refusal effectively exhausted the legal recourse available to these carriers and subjected them to the decision of the Florida court. Since then, all have remitted their previously escrowed taxes, with interest, to the state. Except for the General Revenue service charge, these payments were distributed to the FDOT. The U.S. Supreme Court did accept jurisdiction in the cases brought by the foreign airlines, but in June 1986 rejected their appeals. Hence, these carriers also became obligated to pay all of their back-taxes.

Before the last ruling, the Legislature again changed the distribution of the controversial tax. With the high court's refusal to hear the domestic appeal having supported the constitutionality of the tax, the 1986 Legislature redirected the proceeds of the tax to the STTF after deductions for administrative costs and the General Revenue service charge. Thus, the tax remained set at 5.7¢/gallon purchased in the state, although airlines with Florida-based employees became eligible for refunds of fuel taxes paid in an amount equivalent to a percentage of their in-state wages.

In 1990, along with its other major transportation initiatives (described earlier in Sections 2 and 4), the Legislature also raised the excise tax on aviation fuels, effective July 1, 1990. The new rate was set at 6.9¢/gallon, consistent with the initial increase to on-highway fuels. However, whereas the highway fuel tax is tied to an inflation index which will cause it to adjust automatically in future years, the aviation tax will remain at its current level, until changed by legislative action.

In 1996, the Legislature granted an exemption from payment of the aviation fuel tax to any air carrier offering transcontinental jet service which, after January 1, 1996, increases its Florida workforce by more than 1000 percent and by 250 or more full-time equivalent employee positions.

During its 1988 session, the Legislature initiated a 'test' program to require those air carriers which elect to calculate their sales taxes on a prorated basis, to extend that procedure to their calculation of fuel taxes as well. This method of computing tax liability benefits carriers based in Florida. Those using this procedure pay a tax of 8% of the retail price on their prorated fuel purchases, with a floor rate set at 4.4¢/gallon. Though initially enacted as a one-year provision, subsequent Legislatures extended the program through the FY ending June 30, 2000.

In 2016 the Legislature passed legislation that would remove aviation refunds available to certain airlines and lower the overall aviation fuel tax rate. The legislation was meant to be a revenue neutral solution to a refund situation that greatly favored newer airlines over those well established. As of 1996, airlines that were able to increase their workforce in Florida by more than 1000% after January 1, 1996, and by at least 250 full time positions, were eligible for a aviation fuel tax refund or credit. This aviation fuel tax refund was originally intended as a short term incentive to attract new airline carriers to the state. Following the tragic events of September 11, 2001, the Legislature extended this refund policy with no expiration date. As a result

of the 2016 legislation, this refund will be repealed and the aviation fuel tax rate will drop from 6.9 cents to 4.27 cents in FY 2019-20.

**Source of Present Law**

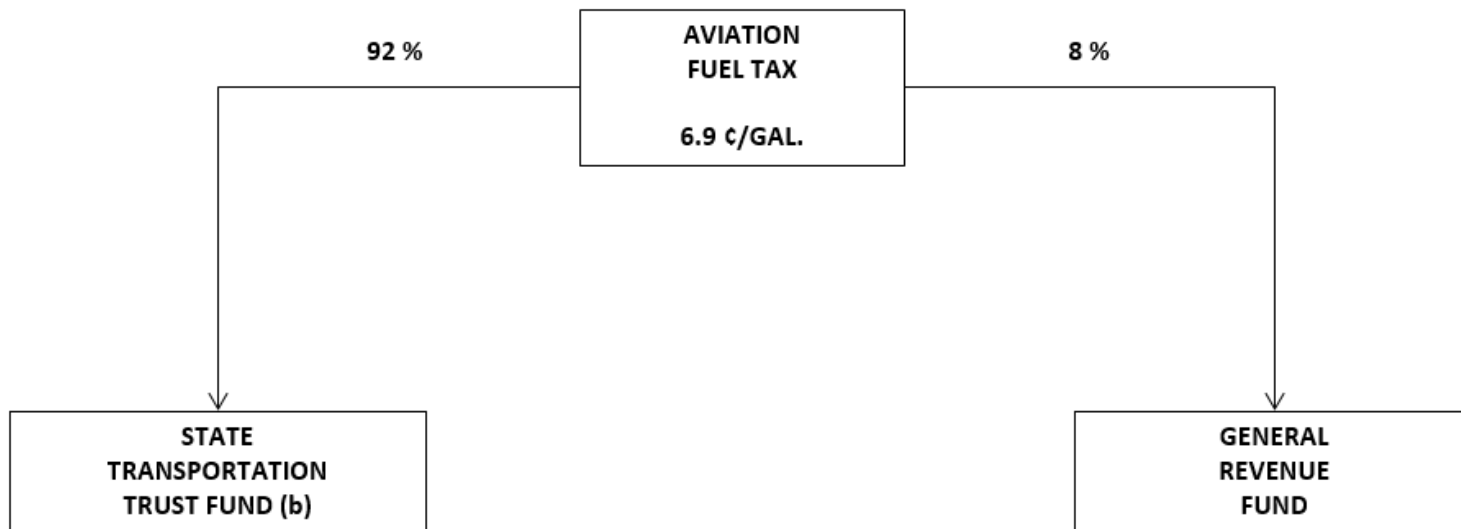
Chapter 206 (Part III), Florida Statutes.

The following chart (Figure 10) is a graphic presentation of state aviation fuel taxes with their distributions.



Figure 10 - State Aviation Fuel Taxes and Their Disposition

**STATE AVIATION FUEL TAXES AND THEIR DISPOSITION (a)  
(AS OF JANUARY 1, 2017)**



(a) Collection allowances and administrative charges are not included. Distribution percentages of 6.9 cent tax are after commercial carrier refunds.

(b) Deposits of aviation fuel tax in the State Transportation Trust Fund are dedicated to aviation uses.

## **Section 7 - Federal Aviation Taxes**

### **Description**

Aviation users have been subject to federal user-type fees since 1933, when a tax was levied on domestic airline tickets, and certain highway-related fees (lubricating oil and tire/tube taxes) were extended to aviation uses. This tax base was expanded in 1941 with the imposition of an excise tax on each gallon of fuel consumed in general aviation operations. All of the revenues produced by these taxes, however, were deposited into the General Fund and, although the federal government provided varying amounts of aid to the nation's airports, there was no formalized federal program, nor any direct relationship between taxes collected and grants extended.

Part of this shortcoming was eliminated in 1946 with the establishment of the Federal-Aid Airport Program (FAAP). This program initiated what has become an increasing federal role in financing public-use airports. While the FAAP increased the federal presence in airport development, its effectiveness continued to rely on uncertain appropriations from the General Fund. Not until 1970, with the passage of the Airport and Airway Development Act, its subordinate Airport and Airway Revenue Act, and the creation of the Airport and Airway Trust Fund, (Aviation), was the formal linkage between user fees and program grants established.

The dedicated fees levied to support the new program consisted of: (1) a 7¢/gallon excise tax on noncommercial (general aviation) fuels; (2) an 8% ticket tax on domestic passenger travel; (3) a 5% waybill tax on all air freight; (4) a \$3.00/person departure tax on international flights; (5) a civil aircraft use tax based on aircraft weight and engine type; and, (6) a 5¢ and 10¢ per pound excise tax on tires and tubes, respectively.

The Airport and Airway Revenue Act expired on September 30, 1980, because legislation was not enacted to continue the program. The related fee structure reverted to that which existed prior to the act's initial passage - a 5% domestic passenger ticket tax, the proceeds of which were deposited into the General Fund, and excise taxes of 4¢/gallon on noncommercial gasoline and 5¢ and 10¢ per pound on tires and tubes, both of which were directed to the Federal Highway Trust Fund.

In August 1982, enactment of the Airport and Airway Improvement Act and an extension of the Aviation Trust Fund restored the federally funded aviation programs. Simultaneously, a new user-fee schedule was instituted, effective September 1, 1982. These fees included: (1) excise taxes of 12¢/gallon and 14¢/gallon on noncommercial gasoline and jet fuel, respectively; (2) an 8% ticket tax on domestic passenger travel; (3) a 5% waybill tax on air freight; (4) a \$3.00/person international departure tax; and (5) a 5¢ and 10¢ per pound excise tax on aircraft tires and tubes. In 1984, the tax on aircraft tires and tubes was eliminated by P.L. 97-474. Then, beginning on January 1, 1990, the international departure tax was doubled to \$6.00/person by P.L. 101-239.

Since the 1982 act reauthorized the aviation programs and the excise taxes which funded them for only five years, follow-up legislation was required in 1987. This resulted in the Airport and Airway Safety and Capacity Expansion Act which, among its provisions, extended the existing excise tax structure through 1992. This legislation also contained a unique feature. In an effort to stem the buildup in aviation trust fund balances which had been taking place over several years, the Congress provided that the rates of the passenger ticket tax, the waybill tax, and the general aviation fuel taxes would be reduced by 50% in 1990, unless spending for capital programs during the first two years of the new act amounted to at least 85% of the amounts authorized. In fact, capital spending during 1988 and 1989 fell well short of the required minimum. However, in its final action of 1989, the first session of the 101st Congress retained the taxes at current levels as part of a deficit reduction package designed to restore funds which had been sequestered earlier to meet Gramm-Rudman-Hollings targets. Almost a year later, the second session of the same Congress repealed the reduction "trigger" mechanism entirely.

As was the case with highway fuel taxes, Congress also broke with the long-standing aviation 'user fee' principle when it passed the Omnibus Budget Reconciliation Act of 1990. For about 20 years the various taxes described earlier in this section had been dedicated exclusively to aviation uses. However, in that legislation, all of the increases in aviation taxes were directed to the General Fund through the end of 1992. Then, beginning in January 1993 and until they expired on December 31, 1995, the revenues reverted to the Airport and Airway Trust Fund. All of the existing taxes except the international departure tax were increased by 25%. Therefore, effective December 1, 1990 the fees included: excise taxes of 15¢/gallon and 17.5¢/gallon on noncommercial gasoline and jet fuel, respectively; a 10% ticket tax on domestic passenger travel; a 6.25% waybill tax on air freight; and a \$6.00/person international departure tax. These taxes were reenacted in August 1996 and remained in effect through December 31, 1996. Following a brief lapse, the taxes were reinstated in March 1997. Revenues were once again directed to the Airport and Airway Trust Fund. The Taxpayer Relief Act of 1997 modified both the 10% ticket tax and the \$6 international departure tax. On October 1, 1997 the ticket tax was reduced to 9%, but a \$1 (per domestic flight segment) fee was added.

### **Recent Changes**

Beginning October 1, 1999, the ad valorem rate declined to 7.5%. Although the ad valorem tax remains at 7.5%, the \$3.00 domestic flight segment was indexed to the CPI beginning January 1, 2003. The current rate per domestic flight segment is \$4.00. The international departure tax was increased and also expanded to include international arrivals. The tax rate for both international departures and international arrivals was initially set at \$12 per passenger and is indexed to the CPI beginning January 1, 1999. As a result of this indexing provision, the tax levied on both international departures and international arrivals was increased to \$17.80 per passenger on January 1, 2015.

On November 19, 2001, the Aviation and Transportation Security Act was signed into law. The act creates a new Transportation Security Administration within the US

Department of Transportation. As a part of this act, a new \$2.50 security fee will be charged for each leg of a trip, up to \$5 per one-way trip or \$10 per round trip.

The Taxpayer Relief Act of 1997 extended the transfer of the excise taxes to the Airport and Airway Trust Fund through September 30, 2007. In addition to the foregoing, all fuels (including those used in commercial operations) were taxed at 0.1¢/gallon to help fund the cleanup associated with leaking underground storage tanks through December 31, 1995. The Taxpayer Relief Act of 1997 also reinstated this 0.1¢/gallon tax beginning October 1, 1997.

Aviation fuels did not escape the reach of the Omnibus Budget Reconciliation Act of 1993 which, as was mentioned in Section 3 of this publication, imposed an additional 'deficit reduction' tax on all highway fuels. The Act added the same 4.3¢/gallon tax to noncommercial aviation gasoline and jet fuels so that, beginning October 1, 1993, these were taxed at 19.4¢/gallon and 21.9¢/gallon respectively. Heavy lobbying on behalf of the cash-strapped airline industry avoided a similar imposition on commercial fuel, but only until October 1, 1995, when those fuels too were subjected to the additional 4.3¢. This 'deficit reduction' tax was originally directed to the General Fund, but beginning October 1, 1997 the Taxpayer Relief Act of 1997 redirected the tax to the Airport and Airway Trust Fund. Current rates remain at 19.4¢/gallon and 21.9¢/gallon for noncommercial aviation gasoline and jet fuels respectively, while the commercial fuel rate is set at 4.4¢/gallon.

After 23 extensions beginning in 2007, the FAA Modernization and Reform Act of 2012 was signed by the President in February 2012 extending all aviation taxes and fees through September 30, 2015. In addition, the new Act imposed a 14.1¢ surtax on noncommercial fuel used in a fractional ownership aircraft effective March 31, 2012. Such flights are exempt from the Ticket Tax, Flight Segment Tax, Air Cargo Tax and International Departure Tax. The Airport and Airway Extension Act of 2015 further authorized the Federal Aviation program through March 31, 2016.

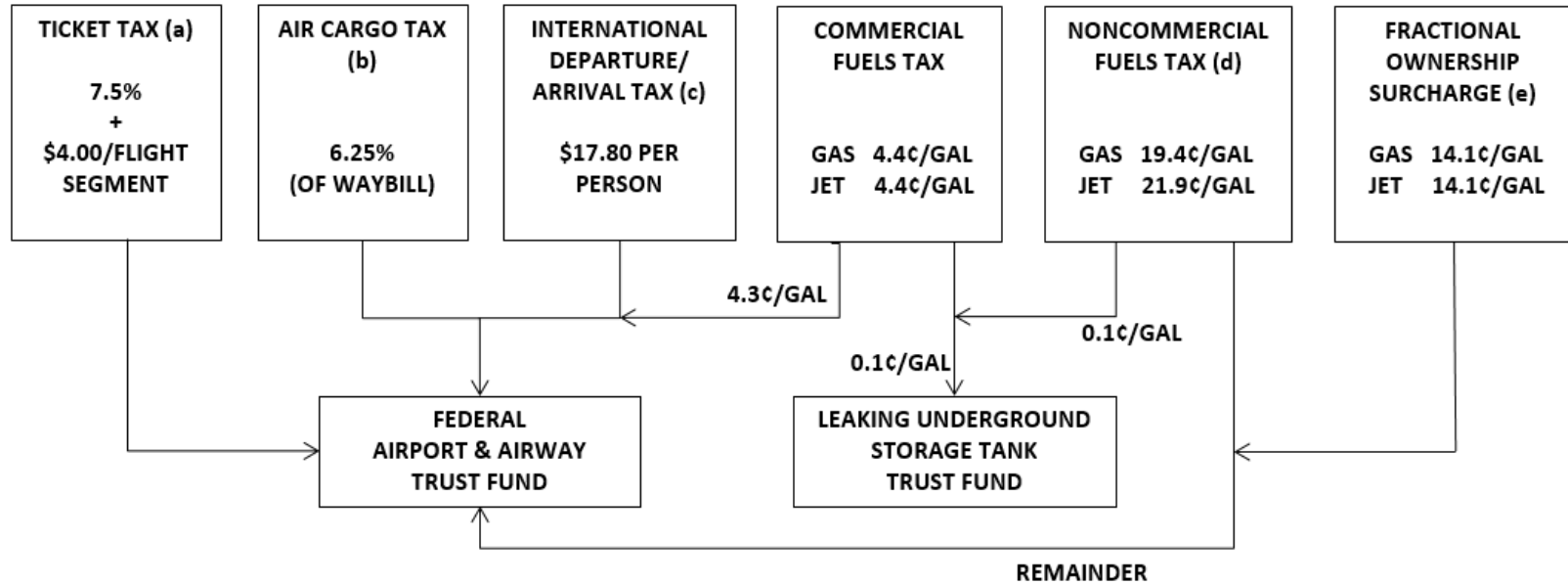
### **Source of Present Law**

Title 26, United States Code. ("Internal Revenue Code")

The following chart (Figure 11) is a graphic presentation of federal aviation taxes with their distributions.

Figure 11 - Federal Aviation Taxes and Their Disposition

## FEDERAL AVIATION TAXES AND THEIR DISPOSITION (AS OF JANUARY 1, 2017)



- (a) Applies to domestic passenger transportation. Tax applied to (domestic) flight segment and is indexed to the CPI beginning January 1, 2003.
- (b) Applies to transportation of property which begins and ends in the U.S.
- (c) Tax rate applies to both international departures and arrivals and are indexed to the CPI beginning January 1, 1999.
- (d) Applies to aircraft not subject to passenger or freight taxes.
- (e) Applies to aircraft belonging to a fractional ownership program in addition to noncommercial excise taxes. Such flights are exempt from the Ticket Tax, Flight Segment Tax, Air Cargo Tax and International Departure Tax.

## Section 8 - Local Option Transportation Taxes

### Description

Until relatively recently, the state viewed the power to levy certain taxes as within its sole jurisdiction, not to be shared with lower levels of government. Included among these 'pre-empted' categories were sales taxes and fuel excise taxes. However, the explosive population growth experienced during the decades of the sixties and seventies, coupled with abnormally high rates of inflation, placed capital demands on local governments which far exceeded their existing revenue-raising ability. Initially, much of this demand was focused on the need to improve and expand the transportation system for which counties and cities were responsible. Hence, in 1972 a precedent was established when the Legislature authorized counties to 'piggyback' the state's excise tax on highway fuels by tacking on a limited impost of their own. This was to become merely the first of many different kinds of local option taxes, three of which now deal exclusively with transportation needs.

### Ninth-cent Fuel Tax

Originally labeled the 'Ninth-cent' tax (when the state's fuel excise taxes totaled 8 cents) this tax was first authorized in 1972 by s. 336.021, F.S. It was renamed the Voted Gas Tax in 1983 when the state's fuel taxes increased to 9.7¢/gallon. The tax is limited to 1¢/gallon on highway fuels, has no time limit and, until 1992, had to be approved by the electorate in a countywide referendum. The 1992 Legislature authorized "small" counties (those with a population of 50,000 or less on April 1, 1992) to impose the tax by an extraordinary (majority plus one) vote of their governing bodies. Since a referendum no longer was necessary in every case the tax was, rather inappropriately, re-designated its original name. In 1993 the Legislature removed the referendum requirement entirely so that **any** county, regardless of size, could now impose the tax by extraordinary vote of its Board of Commissioners. The tax assumed its current name in 1996. The proceeds of the tax may be shared with cities in whatever proportion agreed upon.

*In Florida, 53 out of 67 counties have implemented the Ninth-cent Fuel Tax.*

Beginning January 1, 1994, the Ninth-cent tax on diesel fuel was no longer optional. The 1990 Legislature decided to equalize all optional taxes on diesel fuel so that interstate truckers, who pay fuel taxes based on miles driven in the state, would be subject to standardized tax rates. In Florida, 53 out of 67 counties have implemented the Ninth-cent Fuel Tax.

### Charter County and Regional Transportation System Surtax

This tax was first authorized in 1976 as a means to help fund the Dade Area Rapid Transit (DART) system. Provided for by s. 212.055(1) F.S., it was a discretionary sales **surtax** which may be levied at a rate of up to 1% of the taxable transaction by any charter county which adopted its charter prior to January 1, 1984. This limitation restricted the ability to levy the tax to the following counties: Broward, Miami-Dade, Duval, Sarasota, and Volusia. In a series of actions, the 1987 Legislature enacted two significant revisions to the tax. First, any county whose government was

consolidated with that of one or more municipalities was now also eligible to impose the tax. Second, the proceeds of the tax levied by any eligible county could, at the county's discretion, be transferred to an expressway or transportation authority to be used to finance the operation and maintenance of a bus system or to construct and maintain roads or service the debt on bonds issued for that purpose.

The 2002 Legislature expanded the language and made two additional counties, Hillsborough and Pinellas, eligible to impose the tax. The tax has no time limit, does not apply to single item sales amounts above \$5,000 or to fuel sales taxes, and **must** be approved by countywide referendum. The proceeds were originally restricted to the costs directly associated with a fixed guideway rapid transit system; however, a later modification to law broadened the uses to include the cost of a countywide bus system which services the fixed guideway system. The Charter County Transit System Surtax was changed to the Charter County and Regional Transportation System Surtax in the 2009 and 2010 Legislative Sessions. Now, 31 counties are eligible to levy this surtax. Two counties have enacted this tax at a rate of 0.5%: Duval and Miami-Dade.

### **Local Option Fuel Tax**

In conjunction with its restructuring of state transportation taxes, the 1983 Legislature provided local governments with a major new source of revenue as well. Originally called the Local Option Gas Tax and renamed the Local Option Fuel Tax in 1996, it is described in s. 336.025, F.S. Initially, it was established as a tax of 1¢ to 4¢ on each gallon of highway fuel, which could be levied at the option of a county's governing body for a maximum period of five years, and whose proceeds were **required** to be shared with municipalities. It was to be collected at the wholesale level along with the fuel excise taxes and the fuel sales tax. While the tax retains some of its original characteristics, it has also undergone significant change since it was first authorized.

The tax was initially imposed during an early special session of the Legislature. That same year, when the Legislature returned for its regular session, it extended the maximum duration of the tax to ten years in order to make it at least minimally suitable as a security against which to issue debt. Then in 1985, counties were authorized to raise the maximum rate of the tax to 6¢ per gallon and its duration to 30 years. At the same time, collection of the tax was moved to the retail level in order to positively identify the location (and the tax rate) at which each gallon of fuel was sold. In order to make tax administration more efficient for both the state and the fuel industry, the tax collection point was shifted to the wholesaler (for gasoline and gasohol) and the terminal supplier (for diesel fuel), beginning in July 1996.

As it did with the Ninth-cent Fuel Tax, the 1990 Legislature chose to equalize the Local Option Fuel Tax on diesel fuel. Beginning January 1, 1991, the minimum tax rate on diesel fuel was set at 4¢/gallon. Then, on January 1 of each of the following two years, the minimum rate rose by one cent until it reached 6¢/gallon on January 1, 1993.

At first, proceeds of the tax could only be used for transportation purposes. However, in a major departure from the user-fee concept, the 1992 Legislature authorized any 'small county' (with 50,000 or fewer people as of April 1, 1992) to use the proceeds for other capital infrastructure needs, if the transportation element of its comprehensive plan had been fully satisfied. It should be noted though, that this exception applies only to the six cents of tax authorized prior to 1993.

The most significant change occurred in the 1993 legislative session, when counties were accorded the option of imposing still another 1¢ to 5¢ on each gallon of **motor** fuel (gasoline and gasohol, but **not** diesel). With this latest authorization, counties were able to levy a tax of up to 11¢ on each gallon of gasoline, while the rate for diesel remained standard in every county at 6¢ per gallon. The first six cents of the tax on motor fuel may be imposed by a majority vote of the Board of County Commissioners or a county-wide referendum initiated by either the county commission or municipalities representing more than 50% of the county's population. To impose the remaining five cents, however, an extraordinary vote of the county commission or a county-wide referendum initiated by the commission is required.

The proceeds of the tax must still be shared with municipalities, either in accordance with a mutually agreed upon distribution scheme (which is subject to periodic review) or, if agreement cannot be reached, by using a backup formula contained in the statute. A local government may pledge any of its revenues from the tax to repay state bonds issued on its behalf and, in addition, may use such revenues to match state funds in the ratio 50%/50% for projects on the State Highway System, or for other road projects which would alleviate congestion on the State Highway System. As of this writing, all 67 counties have implemented a Local Option Fuel Tax, in amounts ranging from 5¢ per gallon to 11¢ per gallon. In addition to the Ninth-cent Fuel Tax, 26 of Florida's 67 counties have imposed the maximum of 11¢ per gallon Local Option Fuel Tax.

*In Florida, 26 out of 67 counties have imposed the maximum of 11¢ per gallon Local Option Fuel Tax.*

**Source of Present Law**

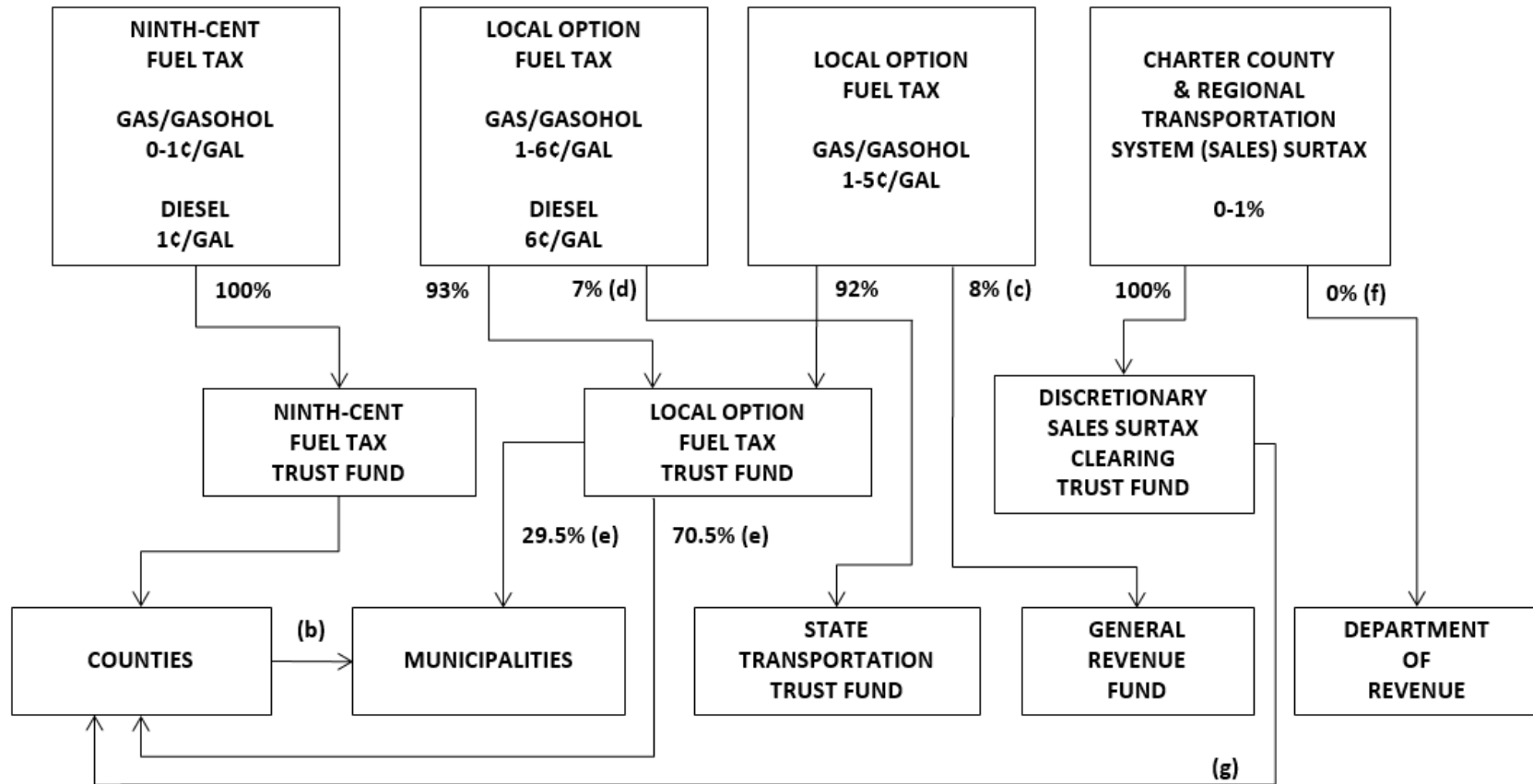
Chapters 206 (Parts I & II), 212 (Part I) and 336, Florida Statutes.

The following chart (Figure 12) is a graphic presentation of local transportation taxes with their distributions. Afterward (Figure 13) is a map showing local fuel tax rates of Florida's counties.



Figure 12 - Local Option Transportation Taxes and Their Disposition

## LOCAL OPTION TRANSPORTATION TAXES AND THEIR DISPOSITION (a) (AS OF JANUARY 1, 2017)



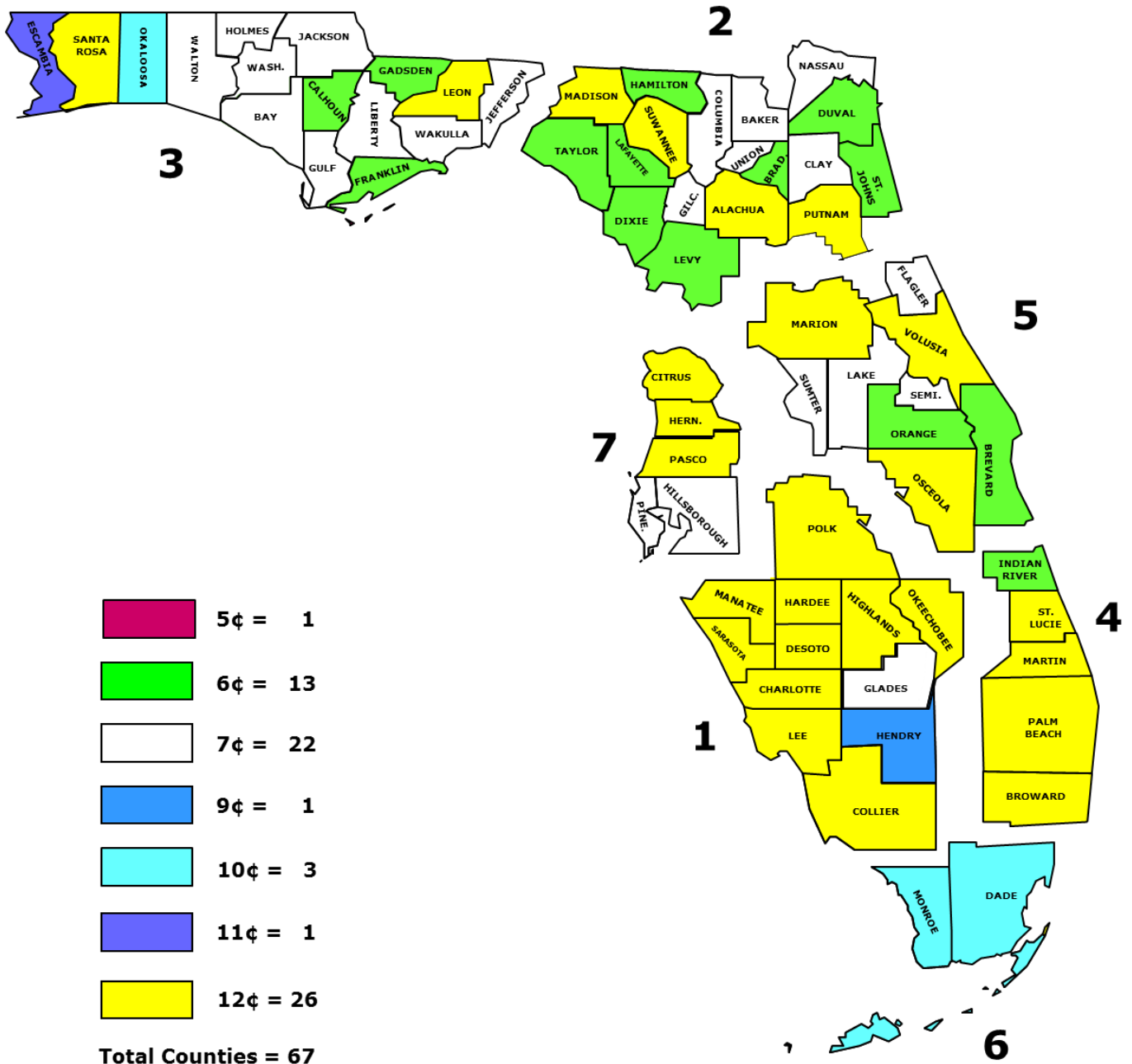
- (a) Refunds, collection allowances and administrative charges not included. Distribution percentages vary and are approximate.
- (b) Counties may share proceeds of ninth-cent tax with municipalities.
- (c) Eight percent General Revenue Service Charge is deducted from the 1-5 cents of local option fuel tax.
- (d) Seven percent of the 1-6 cents of local option fuel tax is deposited into the State Transportation Trust Fund for local programs.

- (e) Percentage based on statewide average of interlocal agreements.
- (f) Costs incurred in the administration of the tax. Currently, the Department of Revenue does not assess the admin charge.
- (g) Counties may transfer proceeds from Charter County and Regional Transportation System Surtax to an expressway or transportation authority.

Figure 13 - Locally Imposed Motor Fuel Taxes

## Locally Imposed Motor Fuel Taxes

Tax Rates (¢/gal) as of January 1, 2016



## **Section 9 - State Document Stamps**

### **Description**

Documentary Stamp Tax is levied on documents, as provided under Chapter 201, Florida Statutes. Documents subject to the tax include, but are not limited to: deeds, stocks and bonds, notes and written obligations to pay money, mortgages, liens, and other evidences of indebtedness.

The 2005 Legislature passed a growth management bill to address needed infrastructure in Florida. The growth management package provided \$541.75 million annually from documentary stamp revenue to fund transportation needs. The 2008 Legislature changed the distribution of documentary stamp tax collections so that the STTF received 38.2% of collections after other distributions are made, not to exceed \$541.75 million per year. Additionally, the 2011 Legislature directed the following amounts to be transferred to the State Economic Enhancement and Development (SEED) Trust Fund from the STTF portion of documentary stamp tax revenues: \$50 million in FY 2012-13, \$65 million in FY 2013-14, and \$75 million every fiscal year thereafter.

In 2014, Florida voters approved a constitutional amendment to provide a dedicated funding source for water and land conservation and restoration. The amendment required that starting on July 1, 2015 and continuing for 20 years thereafter, 33 percent of net revenues derived from the excise tax on documents must be deposited into the Land Acquisition Trust Fund to be used for water and land conservation. Legislation implementing the Water and Land Conservation Amendment passed the 2015 Special Session A of the Florida Legislature, lowered the percentage of documentary stamp tax revenue available to STTF from 38.2% to 24.18442%. To partially offset the lost transportation funding, this reduction was accompanied by a redirect of Initial Registration Fees from the General Revenue Fund to the STTF. The Summer 2015 Revenue Estimating Conference estimated \$271.3 million in distributions of documentary stamp revenue to the STTF for FY 2015-16 and \$297.0 million for FY 2016-17. Please note that these estimates are net of the SEED transfers mentioned above.

### **Source of Present Law**

Chapter 201, Florida Statutes