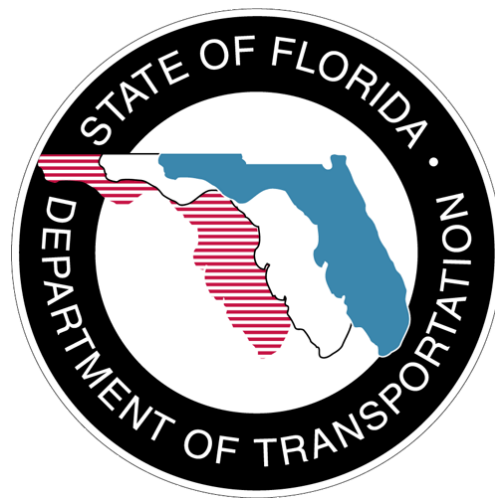


FLORIDA'S TRANSPORTATION TAX SOURCES

A PRIMER



**Florida Department of Transportation
Office of Financial Development
January 2008**

QUICK REFERENCE TO 2008 FUEL TAXES

LEVEL	TAX	AMOUNT	USE
Federal	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.
State (Distributed to DOT)			
	Fuel Sales Tax	All fuels 11.6¢/gal	At least 15.0% of DOT Receipts** dedicated for public transportation. Remainder for any legitimate state transportation purpose.
	SCETS* Tax	Gas/Gasohol 5.3¢ - 6.4¢/gal Diesel – 6.4¢/gal	Net receipts must be spent in district where generated.

State (Distributed to Local Governments)			
	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.
Local	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 funding designated for Mobility 2000 Initiative

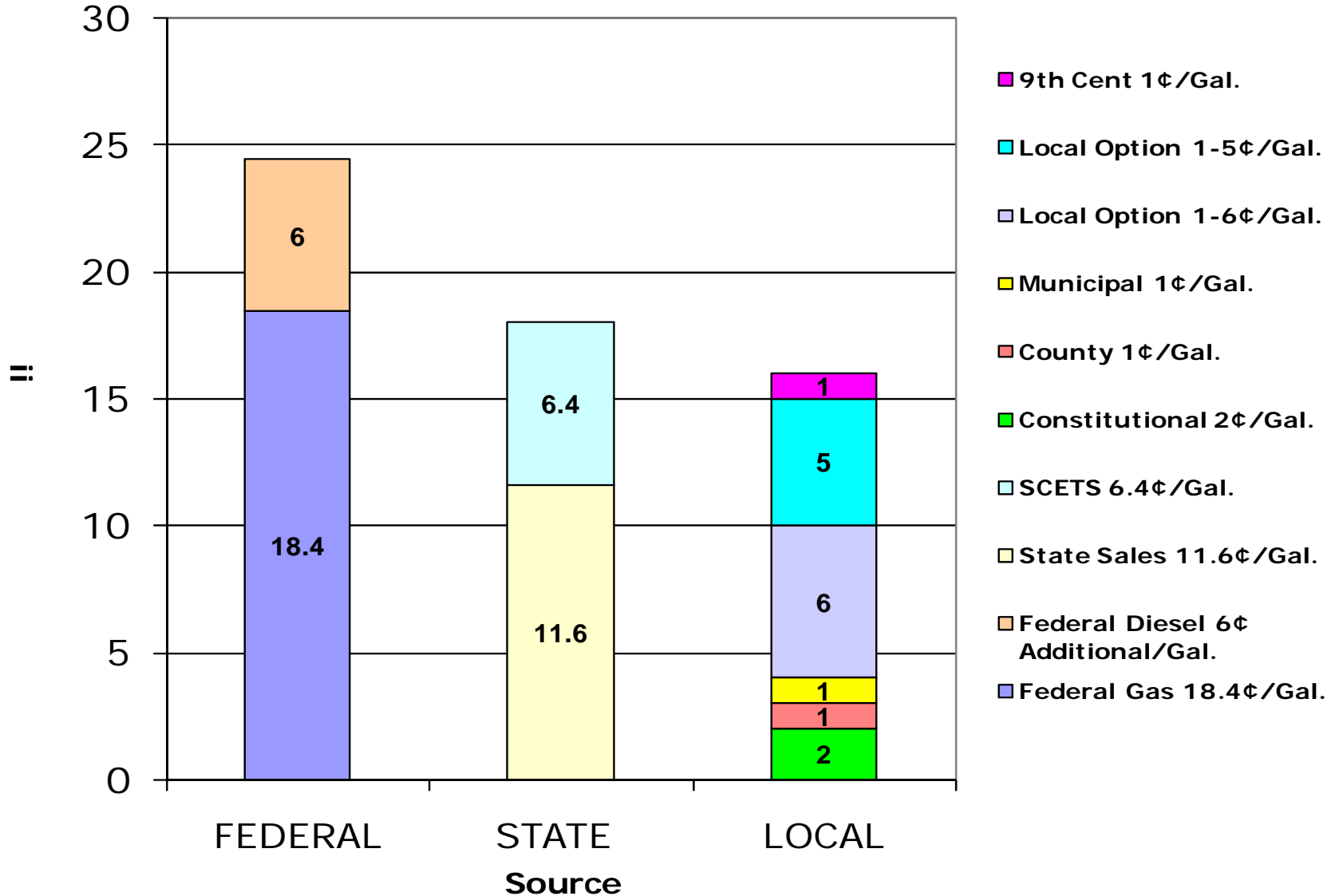
FLORIDA'S TRANSPORTATION TAX SOURCES

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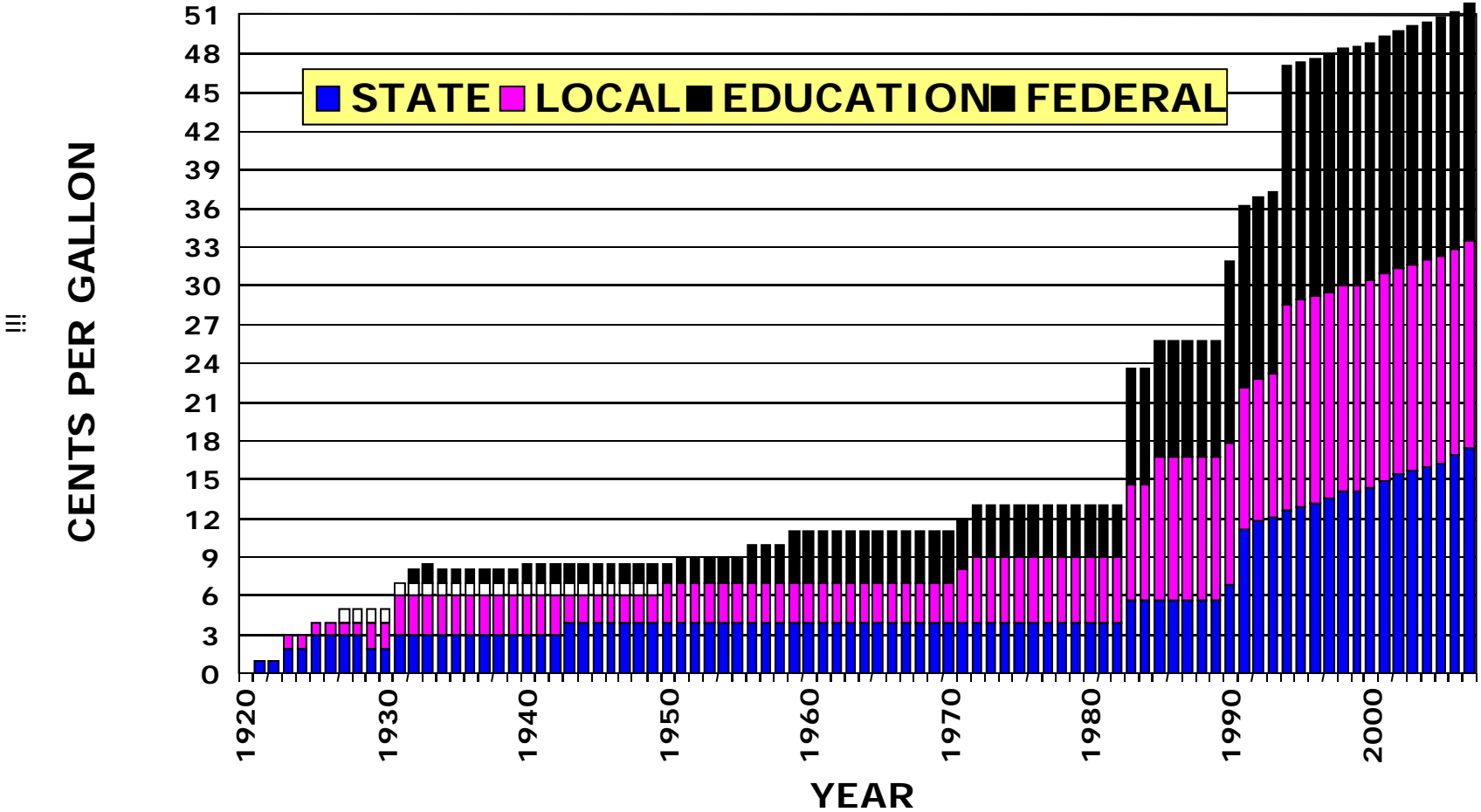
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2008 FUEL TAX RATES

(¢ per Gallon)



HISTORICAL GAS TAXES



ASSUMES 18.4¢ FEDERAL, 18.0¢ STATE, AND 16.0¢ LOCAL TAXES IN PLACE DURING CY 2008.

FLORIDA'S TRANSPORTATION TAX SOURCES

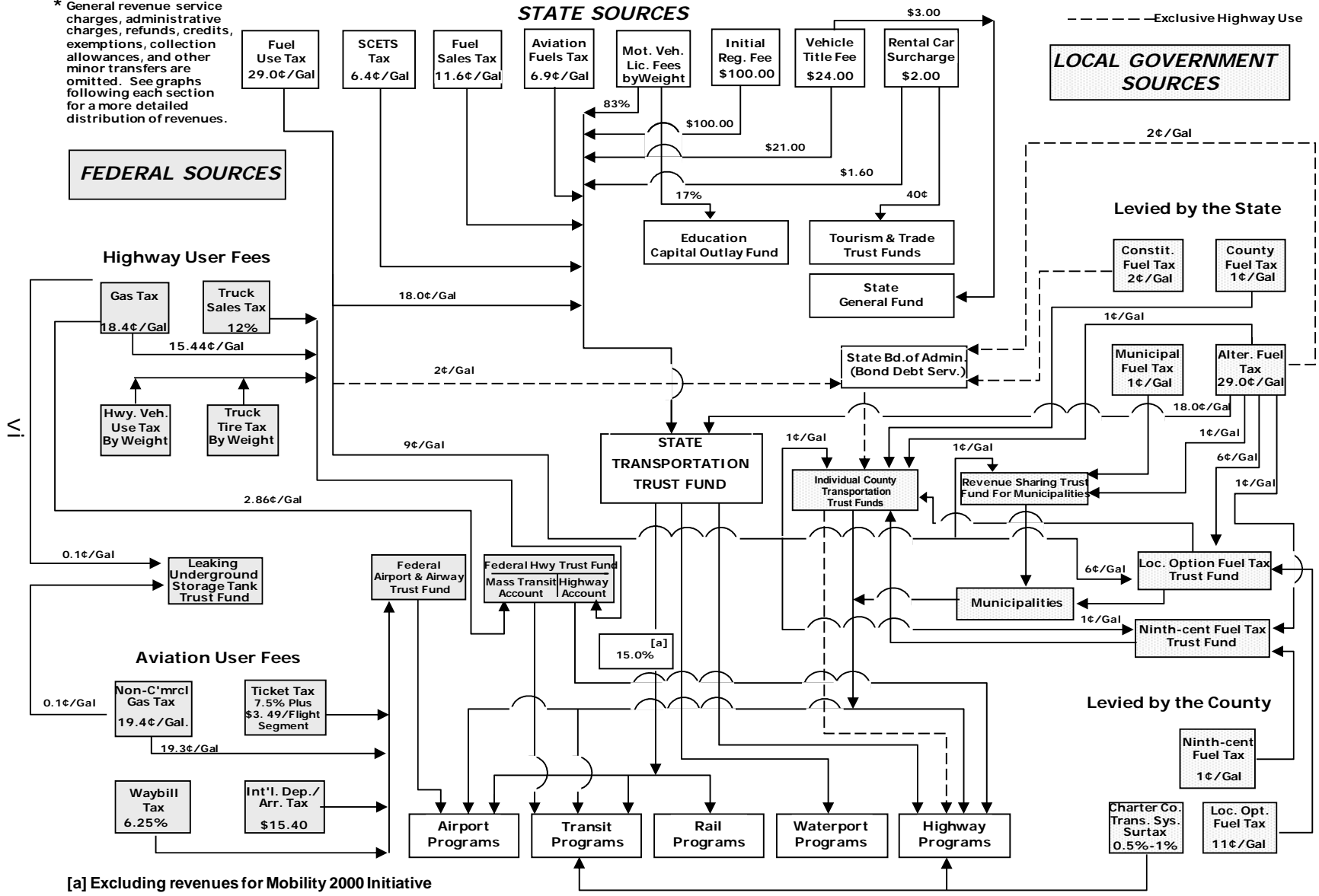
		ESTIMATED PROCEEDS (\$ IN MILLIONS)*		
FUND/TAX SOURCE	DESCRIPTION	RATES (CY 2008)	OTHER USES	TRANSPORTATION
Federal		FFY 2006 DISTRIBUTIONS		
Federal Highway Administration Highway Trust Fund (Highway Account)	Federal highway fuel taxes and other excise and heavy vehicle use and sales taxes of varying amounts.	Gasoline.....15.44¢/gal Gasohol.....15.44¢/gal Diesel.....21.44¢/gal	None	1647
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 Ticket Tax.....7.5% (Plus \$3.49/Flight Segment) Waybill Tax.....6.25%	None	187
Federal Transit Administration Highway Trust Fund (Mass Transit Account)	Federal highway fuel taxes.	All fuels.....2.86¢/gal	None	259
General Fund	Appropriations	N/A		
Federal Rail Administration General Fund	Appropriations	N/A	None	1
State – For State Use		FY 2007-08 DISTRIBUTIONS (BASED ON REC 11/07)		
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. 206.877)	Highway fuels (not including “alternative” fuels, such as LPG and CNG). Off-Highway fuels.	All fuels.....11.6¢/gal Diesel.....6% of retail fuel price	Agricultural Emergency Eradication TF.....6 Administrative charge.....9 DEP/FWCC transfers.....22 Miscellaneous credits & refunds (farmers & fisherman, transit systems, local government).....29 Total66	1111 14
SCETS Tax (F.S. 206.41(1)(f)) (F.S. 206.608) (F.S. 206.87(1)(d))	Highway fuels (including “alternative” fuels).	Gasoline....5.3¢-6.4¢/ gal Diesel.....6.4¢/gal	Administrative charge.....5 Agricultural Emergency Eradication TF.....4 Miscellaneous credits & refunds (farmers & fisherman, transit systems, local government).....5 Total14 G/R service charge.....4	633 56
Aviation Fuel Tax (F.S. 206.9825) (F.S. 206.9845) (F.S. 206.9855)	Aviation fuel	All fuels.....6.9¢/gal	Administrative charge.....1 Collection Fees.....** <u>Airline in-state wage refunds.....14</u> Total19	56

FLORIDA'S TRANSPORTATION TAX SOURCES

FUND/TAX SOURCE	DESCRIPTION	RATES (CY 2008)	ESTIMATED PROCEEDS (\$ IN MILLIONS)*	
			OTHER USES	TRANSPORTATION
State – For State Use (Cont'd)			FY 2007-08 DISTRIBUTIONS	
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.....2</u> Total.....2	15
Motor Vehicle License Fee (F.S. 320.08, 320.20) (Const. Art. XII, Sec. 9(d)(3))	Annual vehicle registrations.	Based on vehicle weight	Education capital expenditures.....115	567
Initial Registration Fee (F.S. 320.072)	Initial registration surcharge on specified vehicles added to statewide stock.	One-time.....\$100	Refunds.....1	127
Incremental Title Fee (F.S. 319.32)	Titles issued for newly registered and transferred vehicles, except for for-hire vehicles.	Each.....\$21	None	104
Rental Car Surcharge (F.S. 212.0606)	Daily surcharge on leased/rental vehicles for first 30 days.	\$2.00/day	G/R service charge11 Administrative charge.....** Tourism Promotional Trust Fund....22 <u>Int. Trade Promotion Trust Fund.....6</u> Total.....39	111
State – For Local Use				
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)	All highway fuels.	Constitutional.....2¢/gal County1¢/gal Municipal.....1¢/gal	G/R service charge..... 14 Collection Fees2 Refunds (farmers & fisherman, local government entities).....1 <u>Administrative charge.....2</u> Total.....19	392
Local Ninth-cent Fuel Tax (F.S. 206.41(1)(d)) (F.S. 206.87(1)(b), 336.021)	All-highway fuels.	Gasoline.....0¢-1¢/gal Diesel.....1¢/gal	Administrative charge.....1 <u>Collection Fees.....1</u> Total.....2	85
Local Option Fuel Tax (F.S. 206.41(1)(e)) (F.S. 206.87(1)(c), 336.025)	All-highway fuels.	Gasoline.....5¢-11¢/gal Diesel.....6¢/gal	G/R service charge to STTF.....54 Administrative charge.....7 Collection fees.....7 Refunds (farmers & fisherman, <u>transit systems).....3</u> Total71	744
			*Revenue estimates are subject to change throughout the fiscal year. ** Less than \$0.5 mil.	

2008 TRANSPORTATION TAXES - PRIMARY* DISTRIBUTION AND USE

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



INTRODUCTION

This booklet describes the taxes and fees in place at the national, state, and local levels which help 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 dated. The Primer will be maintained on a regular basis with updates provided following changes to the tax rates (in January), after the Revenue Estimating Conferences in early Spring and late Fall, and after the regular Legislative Sessions. Updates are available at the FDOT Website at:

<http://www.dot.state.fl.us/financialplanning/primer.asp>

Questions and suggestions concerning its contents can be forwarded to:

- Mary Plymel (850) 414-4457 mary.plymel@dot.state.fl.us

Written questions may be mailed to the above contacts at the Florida Department of Transportation, 605 Suwannee Street, Mail Station 7, Tallahassee, FL 32399-0450.

The body of the publication is organized into eight separate sections: (1) State Highway and Off-Highway Fuel Taxes; (2) Federal Highway Fuel Taxes; (3) State Motor Vehicle Fees; (4) Federal Excise and Heavy Truck Use Taxes; (5) State Aviation Fuel Tax; (6) Federal Aviation Taxes; (7) Local Option Transportation Taxes; and, (8) State Documentary Stamp fees. Each section summarizes the history of the taxes therein, describes their present structure, cites the laws under which they are administered, and concludes with a graphic presentation showing how their proceeds are distributed.

Several summary charts and tables which combine information from two or more of the numbered sections are included in the introductory section of the booklet. A careful review of these will provide a broad understanding of Florida's transportation revenue structure.

SECTION 1 - 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, the proceeds being shared equally between the Florida Department of Transportation (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 7).

In April 1983, the state's fuel taxes were substantially restructured. The Florida Department of Transportation (FDOT) share of the existing excise tax was repealed so that all that remained was 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 **special (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. Not only was the fuel sales tax raised, and an additional fuel excise tax levied, but other user fees were imposed as well. The latter will be discussed in Section 3 of this publication.

In 2000, the Legislature redirected millions of dollars of fuel tax collections which for many years had been diverted away from transportation projects to other general needs of the state. This included the General Revenue service charges of 7.3% for Fuel Sales Tax, Fuel Use Tax, Off-Highway Fuel Tax, which were eliminated July 1, 2000, and for SCETS Tax, which was eliminated July 1, 2001.

Highway Fuel Sales Tax

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

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 fuel was initially set at

\$1.148/gallon which, at a 5% tax rate, 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). But for one statutory provision, the resulting tax per gallon would have varied accordingly. That provision was enacted by the 1985 Legislature which, by installing a "floor" beneath the tax, prevented 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 in the national average price of gasoline serving as the index.

The timing of the 1983 legislation proved to be less than fortuitous. Gas prices, expected to rise, stabilized instead and indeed, on a couple of occasions during the next several years, fell to levels far below that which prevailed at the time the tax was enacted. Were it not for the floor, the per gallon tax rate would have decreased at one point to near the amount at which it stood prior to April, 1983.

Hoping to devise a system of fuel taxes that better responds 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 to 6% from 5%, 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 is tied; from the gasoline component of the CPI to the more comprehensive CPI (all items). This is a much less volatile index, one that normally can be forecast more accurately, and may also better reflect the Department's overall costs. Third, though the base legislated price of \$1.148 was retained, the base period to which future index values are to be compared was moved forward from a 12 month period in FY 1983-84 to a period in FY 1988-89. Finally, tax rate changes under the new system become effective each January 1, as opposed to July 1 under the old system. Consequently, a given tax rate is in place during an entire **calendar** year instead of a fiscal year as contained in the former law. In addition, in order to provide for an immediate inflow of additional revenue, the minimum tax, or floor, was adjusted upward to 6.9¢/gallon from 5.7¢/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 is now indexed to the CPI (all items), and the base indexing period remains the same 12 month period in FY 1988-89. The terminal supplier now collects almost all of this tax.

The 2004 Legislature approved a one-time fuel tax holiday of 8¢ per gallon for the month of August 2004. It also appropriated \$58.0 million from the general revenue fund to the State Transportation Trust Fund to offset the estimated revenue loss in fuel receipts for fiscal year 2004-05.

Off-Highway Fuel Sales Tax

As the name indicates, off-highway fuel (in this case diesel, exclusively) is that which 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 on July 1, 1996, a gallon of off-highway fuel is taxed at 6% of the fuel's retail sales price or the highway fuel tax rate of 11.6¢ 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 but 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 which 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 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 5-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 whose proceeds would be deposited in the State Transportation Trust Fund.

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 were 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 proportionate to the growth of 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 and is mainly confined to small delivery vehicles and certain types of recreational vehicles. Total statewide receipts from the fees on alternative fuels amount to about \$1 million annually. Owners of vehicles titled in Florida pay their fuel taxes through the purchase of an annual decal, the price of which varies according to the type of vehicle involved and the total amount of state and local excise taxes in effect in the county of residence. Out-of-state vehicles incur their tax at the pump at the rate of 29.0¢/gallon (the equivalent of the Highway Fuel Sales, SCETS, Constitutional, County, Municipal, Ninth-cent, and Local Option Taxes). Collections are distributed to the regular recipients of and in proportion to the taxes upon which the Alternative Fuel Fees are based.

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 on 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 on the number of gallons of fuel consumed times 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.

Preferential Treatment of Gasohol

Beginning in 1980, gasohol was exempted from a portion of the taxes on highway fuels in order to help conserve gasoline, reduce petroleum imports, and develop a Florida ethanol industry. Initially, the exemption was set at 5¢/gallon; the first 4¢ (FDOT share) of the fuel excise taxes plus the 1¢ that is now the County Fuel Tax. During a three month period (April-June, 1983) following the imposition of the Fuel Sales Tax, the exemption increased to 6.7¢/gallon. In July, 1983 the exemption from the sales tax was reduced to 4¢/gallon and the County Fuel Tax exemption was eliminated. In July, 1985 the remaining 4¢ exemption was reduced to 2¢ and in July, 1987 the exemption was completely phased out as originally scheduled.

Interim Tax on Diesel Fuel

The 1987 Legislature, in connection with its imposition of a sales tax on services, established an Infrastructure Fund into which a part of the sales tax proceeds was deposited. In lieu of a tax on trucking services, which would have been especially cumbersome to administer, the Legislature levied an additional 5¢/gallon tax on diesel fuel, and directed all of the related revenues to the newly created Infrastructure Fund. While transportation capital improvements were among the

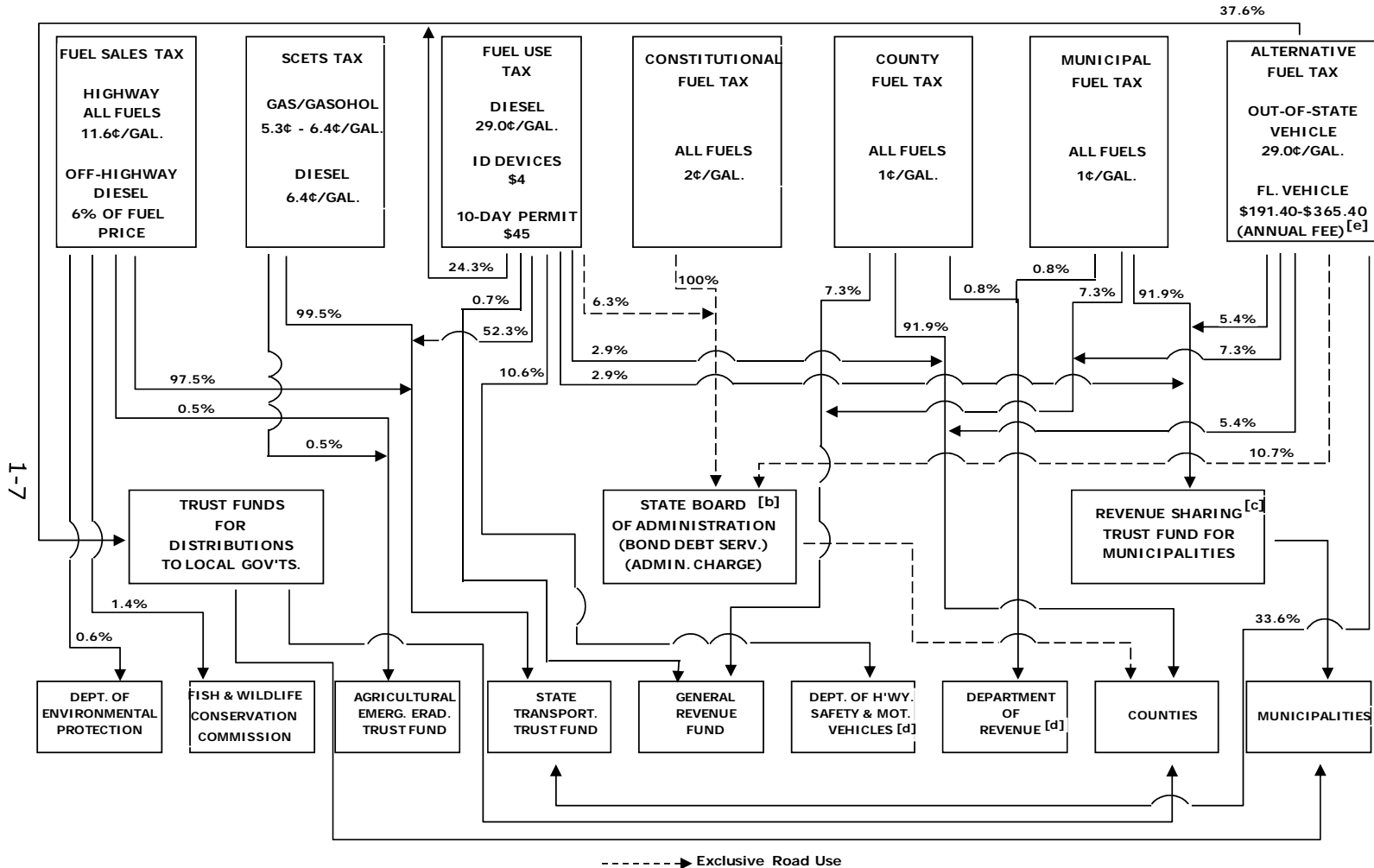
many authorized uses of the fund, any such use was completely dependent on the annual appropriations process. Therefore, this portion of the state's highway fuel taxes could not be regarded as a true "user fee." During a special session held in December 1987, the services tax and the additional tax on diesel fuel were repealed, effective January 1, 1988. While the Infrastructure Fund was retained for its originally intended purposes, it was no longer funded with transportation taxes. In 1991, the fund was abolished and its revenues reverted to the General Fund.

Source of Present Law

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

STATE HIGHWAY FUEL TAXES AND THEIR DISPOSITION ^[a]

(As of January 1, 2008)



[a] Exemptions, refunds, credits, collection allowances, and administrative charges (unless specified) not included. Distribution percentages are approximate. Taxes exclude approximately 2.1¢/gallon for pollutant excise taxes and fuel inspection fee.

[b] Residual proceeds, after payment of debt service, distributed to counties.

[c] 1.3409% of sales and use tax collections are also deposited into this trust fund.

[d] Costs incurred in the administration of the tax.

[e] Fee paid in lieu of constitutional, county, municipal, SCETS, local option, and ninth-cent taxes. Fee for Class A vehicles (autos, light trucks, etc.) \$191.40, Class B vehicles (motor homes, buses) \$261.00, Class C vehicles (heavy trucks) \$365.40. State and local governments are exempt.

SECTION 2 - 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. Then 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 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 Highway Trust Fund; proceeds from the other half were deposited in the General Fund. In general, the new law increased the federal tax rates on all fuel by 5 cents per gallon, 2 1/2 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 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, the Congress passed the Omnibus Budget Reconciliation Act of 1993. Among its various revenue and expenditure provisions, this legislation added another 4.3¢ per gallon to the rates on all highway fuels, effective October 1, 1993. In this case, however, the entire increase was directed to the General Fund for deficit reduction. In partial recompense, the 2 1/2 cents which was already being deposited in the General Fund, was extended to September 30, 1999 and was redirected to the 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¢/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 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 on these fuels, the Florida consumer now pays total taxes of between 45.4¢ (gasoline/gasohol) and 53.4¢ (diesel) on each gallon of fuel purchased, depending on the type of fuel and county in which the purchase is made.

Florida's Share of Federal Tax Revenues

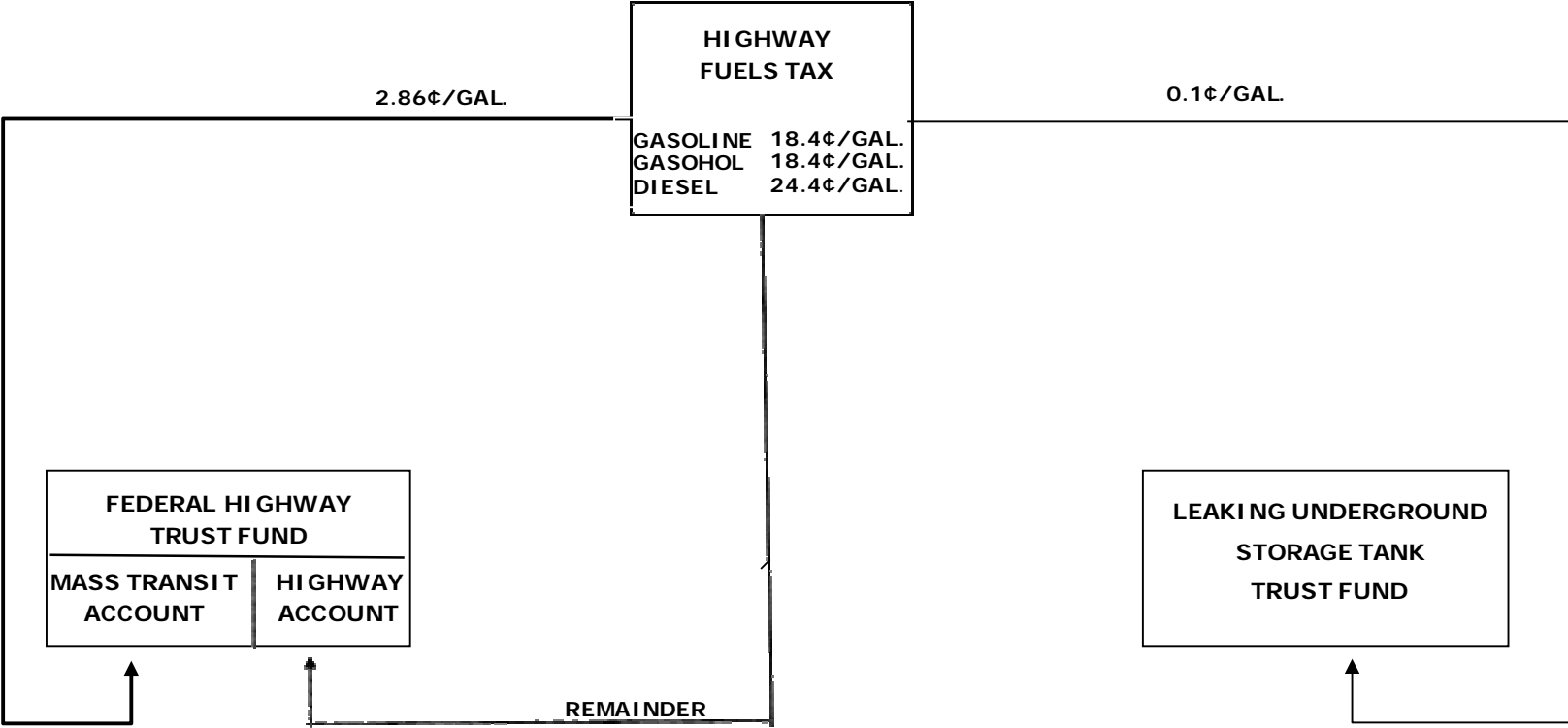
Fuel taxes are only one of several sources of federal highway user charges that are deposited into the Federal Highway Trust Fund (see Section 4). Funds are distributed to the states from the Highway Trust Fund through a system of formula grants and discretionary allocations by the Federal Highway Administration 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 1/2¢ of the 2 1/2¢/gallon increase to the Highway Trust Fund was designated for the Mass Transit Account. Similarly, the Mass Transit Account received 1/2¢ of the 2 1/2¢/gallon which was redirected from the General Fund to the Highway Trust Fund beginning October 1, 1995. With passage of the Transportation Equity Act for the 21st Century, an additional 0.86¢/gallon (of the 4.3¢/gallon which was redirected from the General Fund to the Highway Trust Fund) was retroactively transferred to the Mass Transit Account beginning October 1, 1997. These funds are allocated directly to local governments. The new Federal transportation bill; Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), passed in 2005 continues these returns to the Highway Trust Fund.

Source of Present Law

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

FEDERAL HIGHWAY FUEL TAXES AND THEIR DISPOSITION

(As of January 1, 2008)



SECTION 3 - 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.

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. Now, 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.

In 2000, the Legislature redirected millions of dollars of motor vehicle fees which for many years have been diverted from transportation projects to other general needs of the state. The General Revenue service charge of 7% for Motor Vehicle Title Fees was eliminated July 1, 2000, the service charge for Initial Registration Fees was eliminated July 1, 2001. In addition 5% of the Rental Car Surcharge previously distributed to General Revenue was redirected to the State Transportation Fund (STTF) effective July 1, 2000, and 30% of the Initial Registration Fees, formerly distributed to the General Fund, is now distributed to the State Transportation Trust Fund, effective July 1, 2005.

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 in the State Transportation Trust Fund, 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. Now, after the educational requirement is satisfied, the entire residual proceeds are deposited in the State Transportation Trust Fund.

Motor vehicle license fees also played a part in the major revenue package enacted in 1990. Although none of the annual registration fees which apply to the various categories of vehicles was 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.

Effective July 1991, as a partial offset to an early payback of a previous DOT loan from the state's General 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 are deposited in the State Transportation 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 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 the 1990 session, the Legislature increased the fee to \$100, directing the additional \$70 (less a G/R service charge) to the State Transportation Trust Fund. 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 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 G/R service charge) were deposited in the State Transportation Trust Fund 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 State Transportation Trust Fund.

Beginning July 1, 2005 the entire \$100 fee is distributed to the State Transportation Trust Fund.

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 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 is distributed to the State Transportation Trust Fund. The remaining \$3.00 is distributed to the General Fund. The \$21.00 incremental increase does not apply to salvage or for-hire vehicles.

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 \$.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, and designed to carry less than nine passengers. The proceeds of the \$.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 its 1990 session, the Legislature raised the surcharge to \$2.00 per day, effective July 1, 1990, and revised the distribution scheme so that, after administrative and service charges are deducted, the State Transportation Trust Fund received 75% of the total proceeds (or \$1.50 of the \$2.00 fee) and the remaining 25% was divided between the former recipients in their same relative proportion. The 1991 Legislature revised the distributional breakout still further. The 5% of total receipts that had been deposited in the Law Enforcement Trust Fund was redirected to the General 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 the 2000 session, the Legislature redirected the General Revenue portion (5% of the total) to the State Transportation Trust Fund (STTF). DOT now receives 80% of the surcharge. The tax distributed to the STTF is unique in that beginning in fiscal year 2007-08, its proceeds **must** be spent in the transportation district and, to the extent feasible, in the county from which the surcharges were collected.

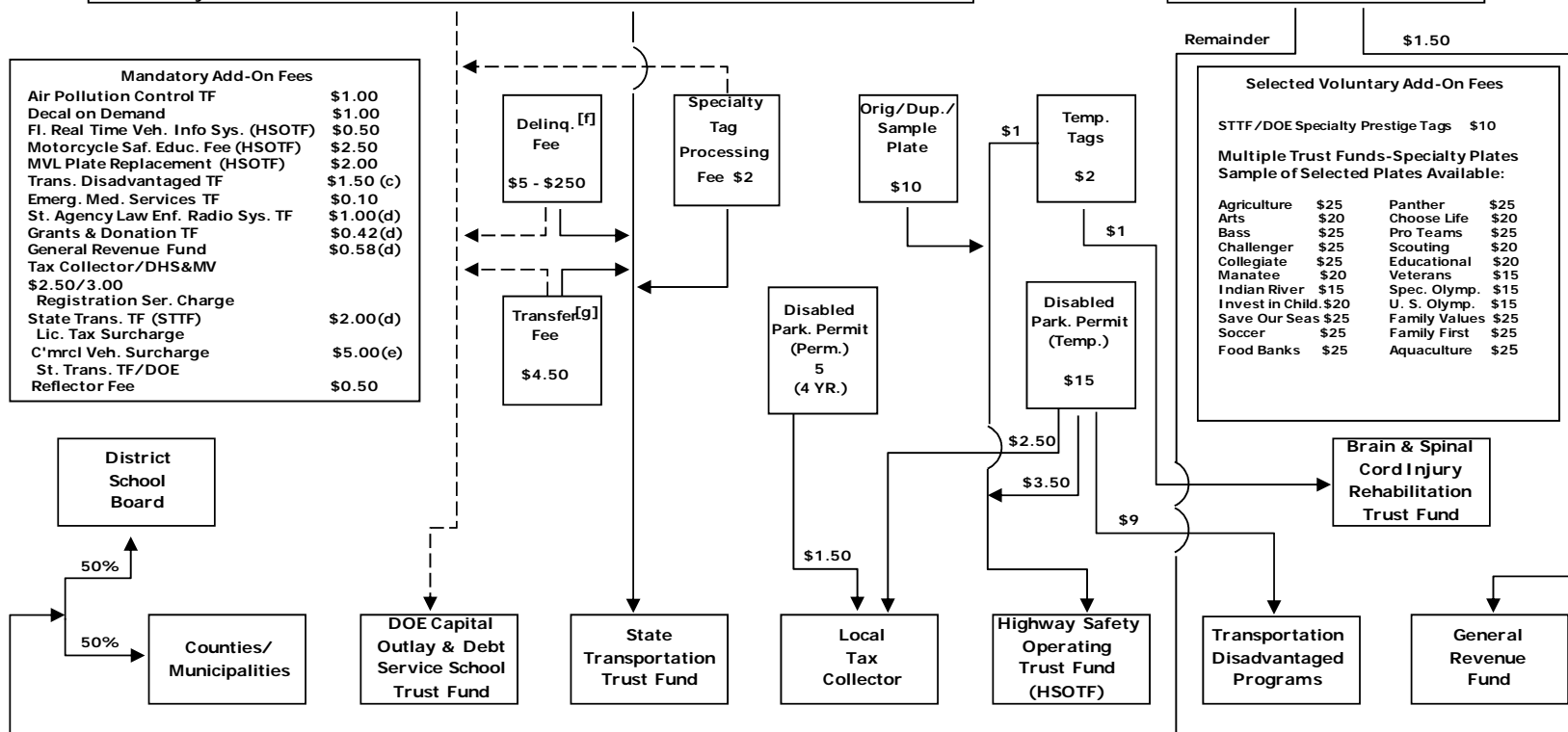
Source of Present Law

Chapters 212, 319, and 320, Florida Statutes.

FLORIDA MOTOR VEHICLE LICENSE FEES AND THEIR DISPOSITION (As of January 1, 2008)

Selected MVL Fees - Motor Vehicles (MV) and Other Highway Vehicles			
Priv. Autos			
< 2500 lbs.	\$14.50	Spec. Purpose Veh.	\$10.00 - \$50.00 [a]
2500 - 3499 lbs.	\$22.50	Wreckers	\$87.00 - \$979.00
>= 3500 lbs.	\$32.50	Private Trailer	
For-Hire Veh.		<= 500 lbs.	\$5.00
< 9 Passengers	\$12.50 + \$1.00/cwt	> 500 lbs.	\$2.50 + \$0.75/cwt
>= 9 Passengers	\$12.50 + \$1.50/cwt	For-Hire Trailer	
Trucks		< 2000 lbs.	\$2.50 + \$1.00/cwt
<= 5000 lbs.	\$14.50 - \$32.50	>= 2000 lbs.	\$10.00 + \$1.00/cwt
> 5000 lbs.	\$45.00 - \$979.00	Rec. Veh. (RV)	\$10.00 - \$35.00 [b]
Moped/Motor Bikes	\$5.00	Dealer Plates	\$12.50
Motorcycles	\$10.00	Exempt/Off'l. Plate	\$3.00
		Transporter Plate	\$75.00

MVL Fees - Off-H'way Veh.	
Park Trailers	\$25
Travel Trailers (> 35 feet)	\$25
Mobile Homes (MH)	\$20 - \$80



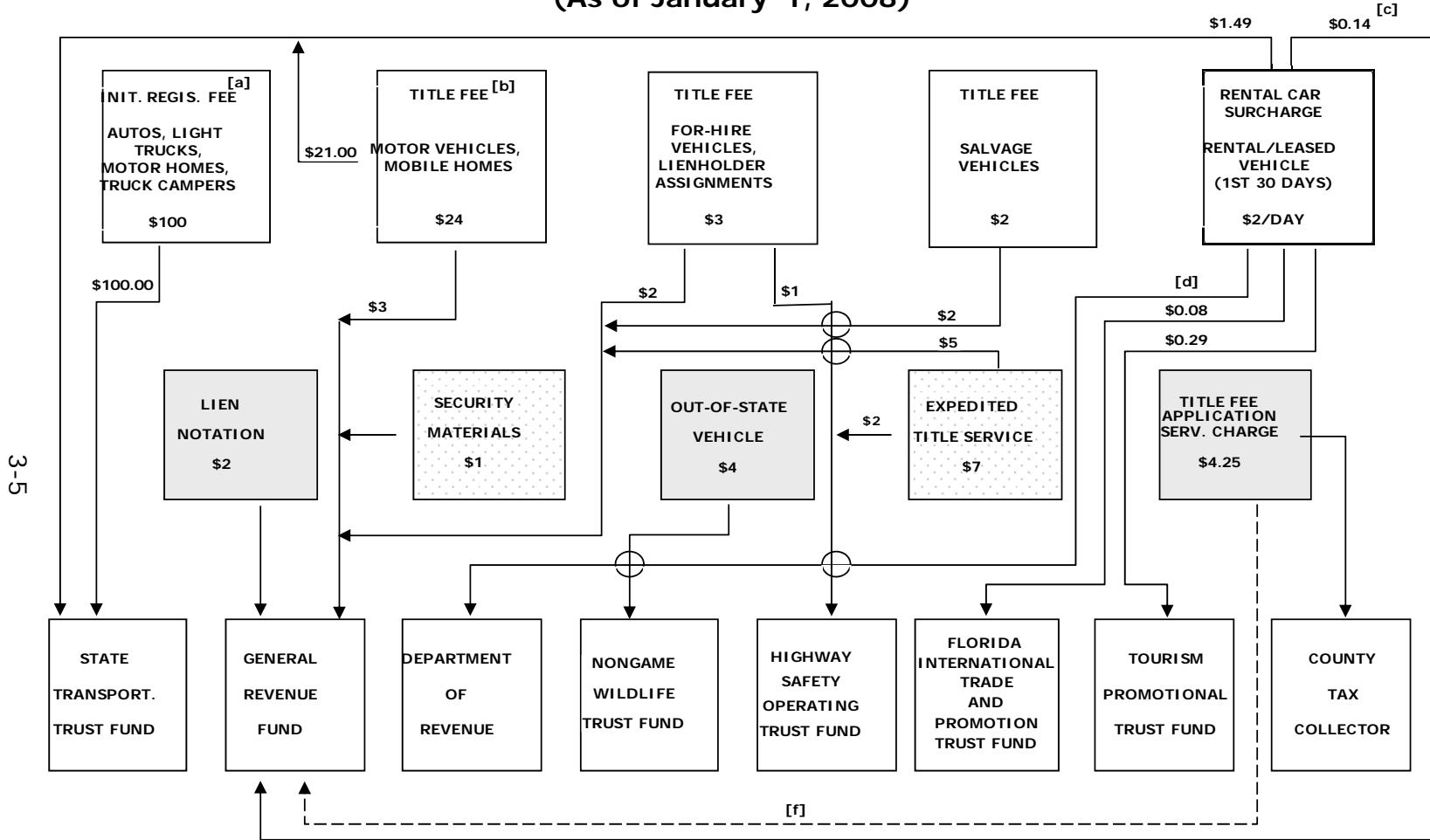
3-4

-----> First proceeds of fees distributed to Dept. of Education.

[a] Includes semitrailers, school buses, ambulances, etc.
 [b] Includes travel trailers (<= 35 feet), camping trailers, motor homes, truck campers, etc.
 [c] Fee applies only to all private autos and light trucks (<= 5000 lbs.).
 [d] Fee does not apply to mobile homes.
 [e] Fee applies only to commercial vehicles with gross vehicle weight >= 10,000 lbs.
 [f] Delinquent fee based on vehicle's required license tax.
 [g] Fee does not apply if original and replacement vehicle is either private auto or light truck (<= 5000 lbs.).

OTHER MOTOR VEHICLE FEES AND THEIR DISPOSITION

(As of January 1, 2008)



Additional charge which applies to each of the title fees shown above.

Additional charge for specific title certificate transactions or services.

[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 (MH) and new recreational vehicle (RV) title transaction, which is deposited into the MH & RV Protection Trust Fund.
 [c] 7.3% General Revenue service charge.
 [d] Dep't. of Revenue administrative charge, which is less than 0.5 cents.

[e] \$4.25 application service charge deposited in General Revenue Fund if title processed by Department of Highway Safety & Motor Vehicles.
 [f] Each of these particular title fee portions is used by the Dep't. of Highway Safety & Motor Vehicles to prevent and detect odometer fraud.

SECTION 4 - 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 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 change. 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., 1/2%; (3) tread rubber at 5¢/lb., 1/2%; (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 2. 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, the 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 in place to improve user equity and reduce the administrative burden.

Current Status of Federal Excise Taxes

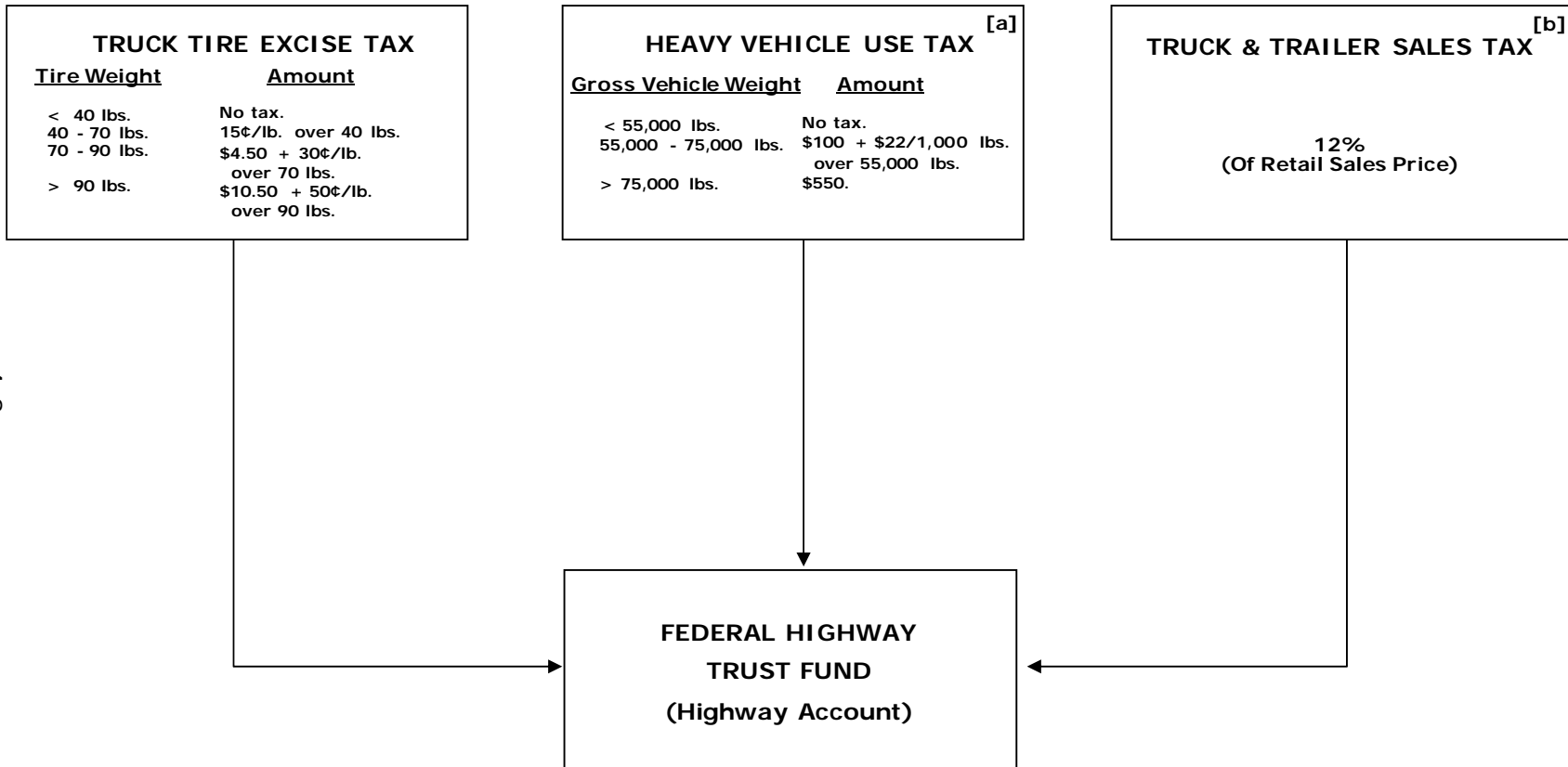
Except for extending the duration of the various excise taxes, and authorizing the transfer of their proceeds into the Highway Trust Fund through FFY 2005, none of the several transportation revenue acts enacted since 1984 made any substantive changes in the structure of these non-fuel excise taxes. According to the latest data available, fuel taxes represent roughly 88% of total federal highway taxes collected. The remainder is made up primarily of the 12% retail tax on heavy vehicles (8%); the Heavy Vehicle Use Tax (3%); and, the tax on tires (1%).

Source of Present Law

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

FEDERAL EXCISE AND HEAVY TRUCK USE TAXES AND THEIR DISPOSITION

(As of January 1, 2008)



4-3

[a] This is an annual tax. Taxable period is July 1 - June 30. Tax liability incurred as of the first month vehicle used during the taxable period (prorated).

[b] Applies to trucks with gross vehicle weight (GVW) exceeding 33,000 lbs. and trailers with GVW exceeding 26,000 lbs.

SECTION 5 - 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.

Pro-ration 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, pro-ration 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 in the state's general 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 suit challenging the legality of the tax. While the lawsuits were in progress, the litigants were permitted to place their related tax payments in 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 fund, in place of the transportation fund.

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 State Transportation Trust Fund. Thus, the tax remained set at 5.7¢ on each 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 1 and 3), 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 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 and unless 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 that, after January 1, 1996, increases its Florida workforce by more than 1000 percent and by 250 or more full-time equivalent employee positions.

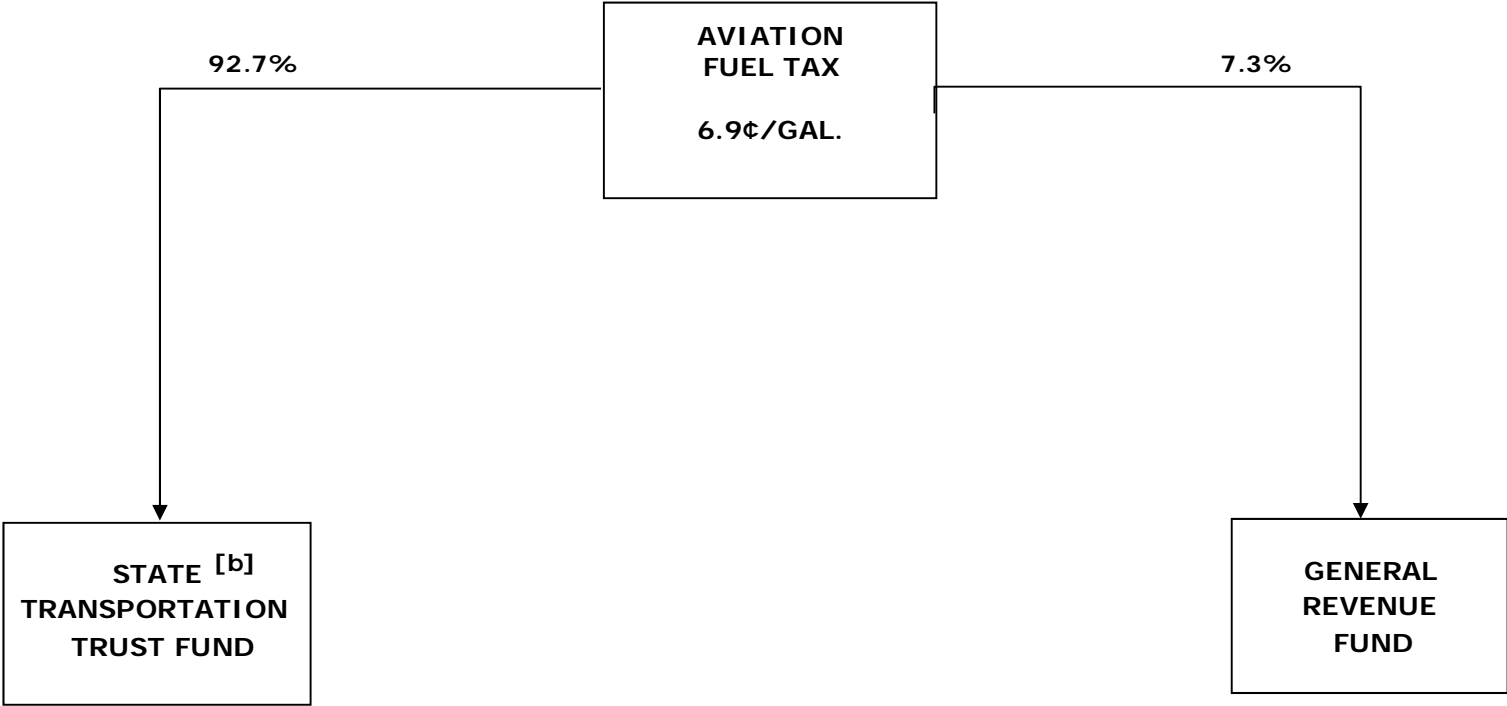
During its 1988 session, the Legislature initiated a "test" program to require those air carriers which elect to calculate their sales taxes on a prorated basis, to extend that procedure to their calculation of fuel taxes as well. This method of computing tax liability benefits carriers based in Florida.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

Source of Present Law

Chapter 206 (Part III), Florida Statutes.

STATE AVIATION FUEL TAXES AND THEIR DISPOSITION ^[a]

(As of January 1, 2008)



5-3

[a] Collection allowances and administrative charges are not included. Distribution percentages of 6.9¢ tax are after commercial carrier refunds.

[b] Deposits of aviation fuel taxes in the State Transportation Trust Fund are dedicated to aviation uses.

SECTION 6 - 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 in 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 in 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 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, the 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 is indexed to the CPI beginning January 1, 2003. The current rate per domestic flight segment is \$3.49. 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 \$15.40 per passenger on January 1, 2008.

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.

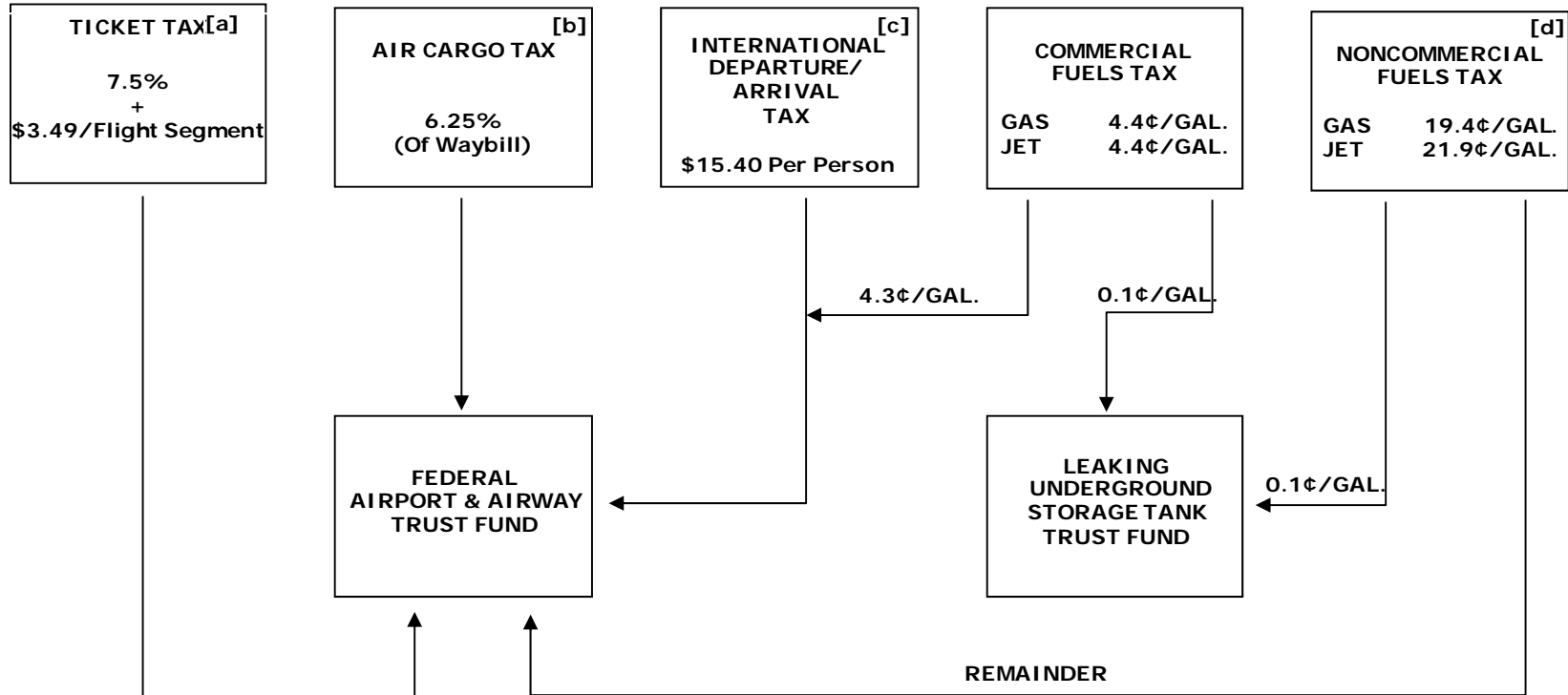
Aviation fuels did not escape the reach of the Omnibus Budget Reconciliation Act of 1993 which, as was mentioned in Section 2 of this publication, imposed an additional "deficit reduction" tax on all highway fuels. The Act added the same 4.3¢/gallon tax to noncommercial aviation gasoline and jet fuels 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.

Source of Present Law

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

FEDERAL AVIATION TAXES AND THEIR DISPOSITION

(As of January 1, 2008)



6-4

[a] Applies to domestic passenger transportation. Tax applied to (domestic) flight segment and are 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.

SECTION 7 - 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 "9th 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, redesignated by its original name. In 1993 the Legislature removed the referendum requirement entirely so that **any** county, regardless of size, can 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. Presently, 49 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.

Charter County Transit 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 is 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 would restrict the ability to levy the tax to seven counties: Broward, Dade, Duval, Sarasota and Volusia. The 2002 Legislature expanded the language

and 2 additional counties, Hillsborough and Pinellas counties are now 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 guide-way 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 guide-way system.

In a series of actions the 1987 Legislature enacted two significant revisions to the tax. First, any county whose government is consolidated with that of one or more municipalities is now also eligible to impose the tax.

Second, the proceeds of the tax levied by any eligible county can, 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. Two counties have enacted this tax, Duval, effective January 1, 1989, and Miami-Dade effective January 1, 2003, at a rate of 1/2%.

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 on April 1, 1992) to use the proceeds for other capital infrastructure needs if the transportation element of its comprehensive plan has 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 may now levy a tax of up to 11¢ on each gallon of gasoline, while the rate for diesel remains 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 countywide 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 countywide referendum initiated by the commission is required.

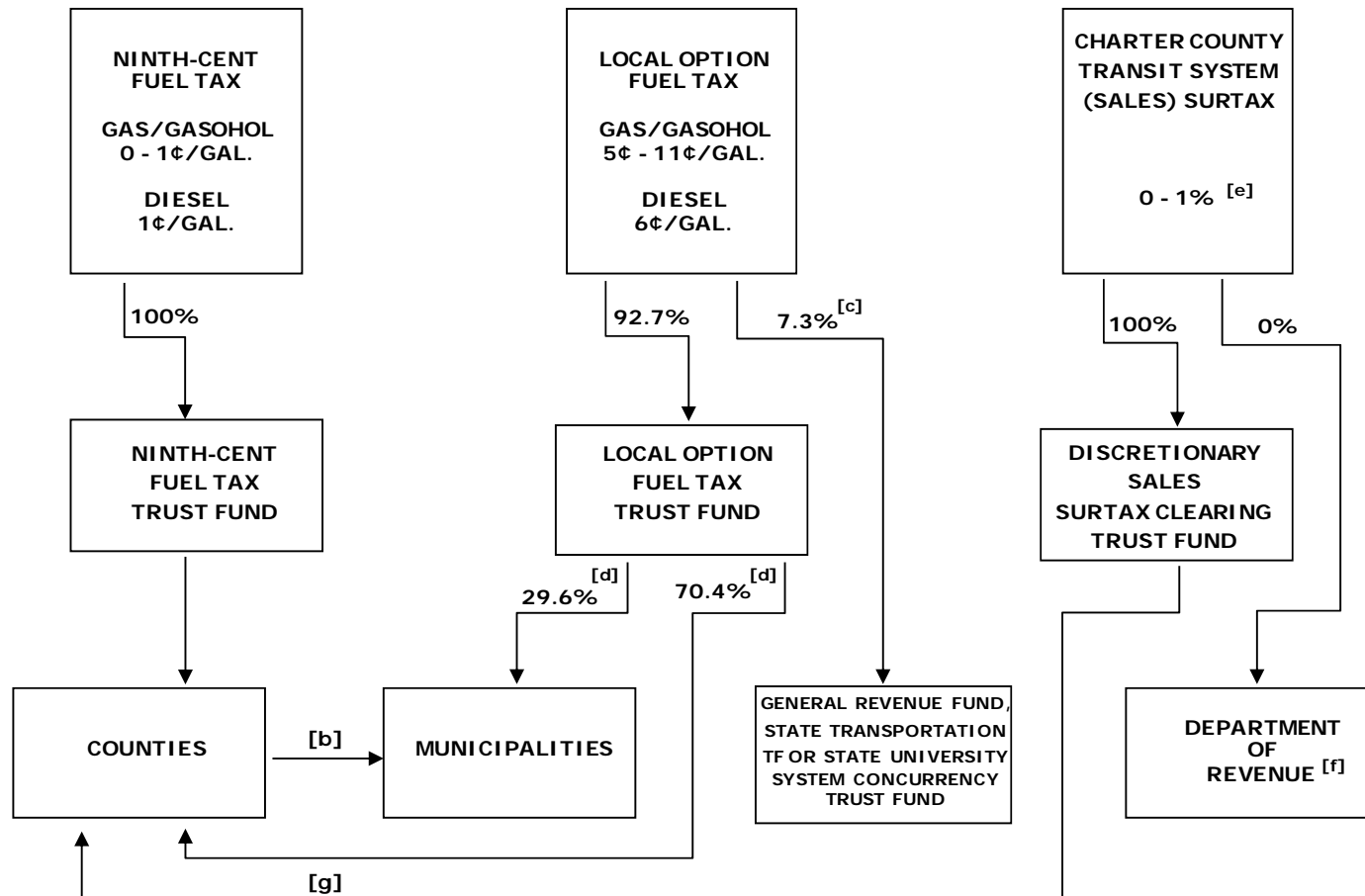
The proceeds of the tax must still be shared with municipalities, either in accordance with a mutually agreed upon distribution scheme (which is subject to periodic review) or, if agreement cannot be reached, by using a backup formula contained in the statute. A local government may pledge any of its revenues from the tax to repay state bonds issued in 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. Only Franklin and Union have imposed less than 6¢ per gallon; however, Union county has also imposed the Ninth Cent Fuel Tax. As of January 1, 2007, seventeen counties have imposed the maximum of 11¢ per gallon Local Option Fuel Tax, in addition to the Ninth Cent Fuel Tax.

Source of Present Law

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

LOCAL OPTION TRANSPORTATION TAXES AND THEIR DISPOSITION ^[a]

(As of January 1, 2008)



7-4

[a] Refunds, collection allowances, and administrative charges not included. Distribution percentages vary and are approximate.
 [b] Counties may share proceeds of ninth-cent fuel tax with municipalities.
 [c] General revenue service charge. .3% charge deducted from the "original" 1 to 6 cents of local option fuel tax deposited in the General Revenue Fund, 7% to the State Transportation Trust Fund while charge deducted from additional 1 to 5 cents of local option tax deposited into the State University System Concurrency Trust Fund.

[d] Percentage based on statewide average of interlocal agreements.
 [e] Discretionary sales surtax does not apply to single item sales amounts above \$5,000, long distance telephone service, or fuel sales taxes.
 [f] Costs incurred in the administration of the tax. Currently, Department of Revenue not assessing administrative charge.
 [g] Counties may transfer proceeds from Charter County Transit System Surtax to an expressway or transportation authority.

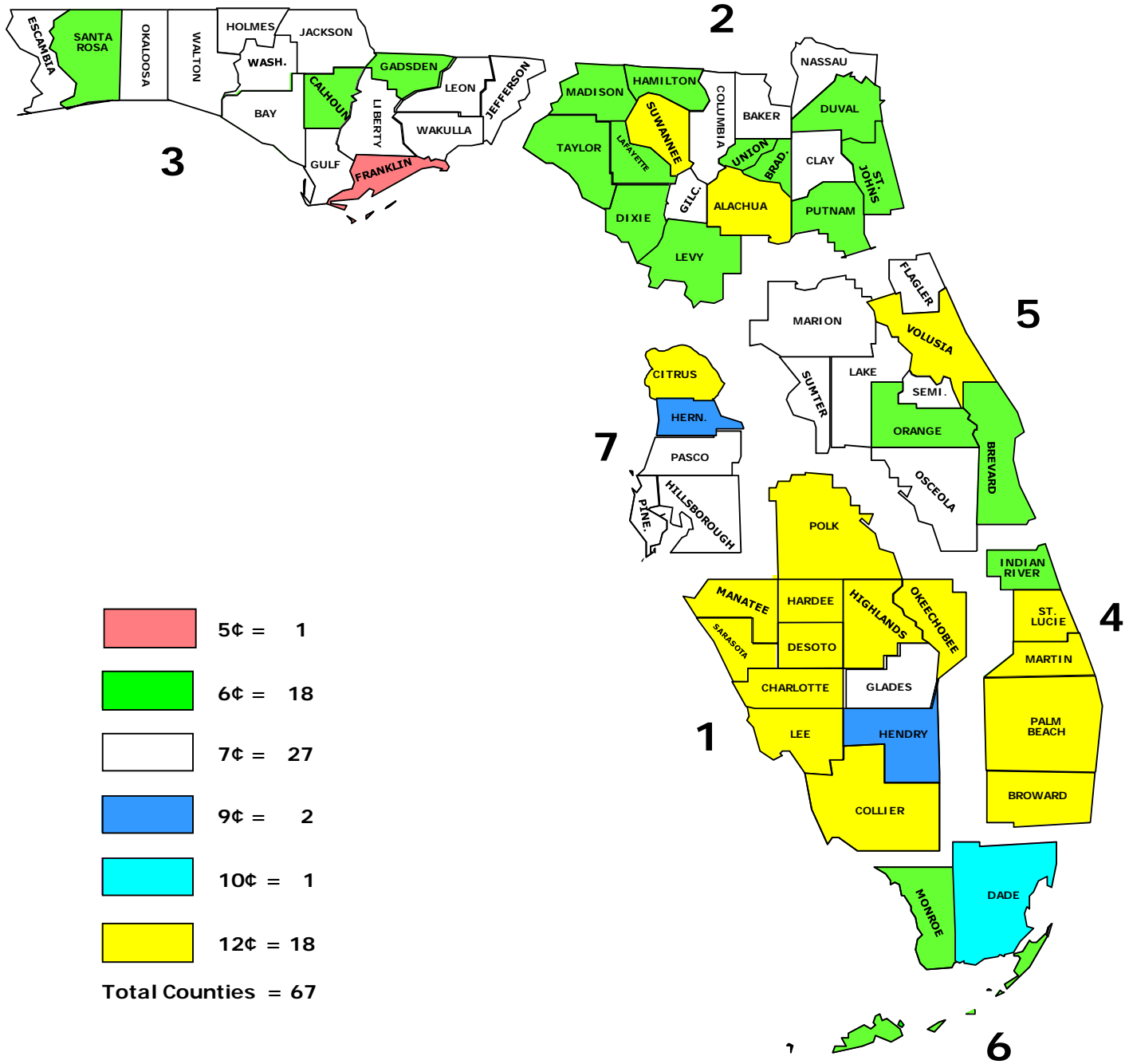
Locally Imposed Fuel Taxes*
(Tax Rates as of January 1, 2008)

COUNTY	MOTOR FUELS (GASOLINE AND GASOHOL)					SPECIAL FUELS (DIESEL)					TOTAL EST. DISTRIBUTION (\$000s)
	RATES (¢/GAL.)			NET 1¢ REVENUE (\$000s)		RATES (¢/GAL.)			NET 1¢ REVENUE (\$000s)		
	LOCAL	9TH	TOTAL	LOCAL	9TH	LOCAL	9TH	TOTAL	LOCAL	9TH	
ALACHUA	11	1	12	\$1,085	\$1,161	6	1	7	\$168	\$181	\$10,596
BAKER	6	1	7	\$140	\$150	6	1	7	\$29	\$31	\$1,188
BAY	6	1	7	\$789	\$845	6	1	7	\$149	\$162	\$6,023
BRADFORD	6		6	\$141	\$0	6	1	7	\$32	\$35	\$1,062
BREVARD	6		6	\$2,387	\$0	6	1	7	\$358	\$387	\$16,695
BROWARD	11	1	12	\$7,514	\$8,041	6	1	7	\$888	\$961	\$96,485
CALHOUN	6		6	\$45	\$0	6	1	7	\$21	\$23	\$416
CHARLOTTE	11	1	12	\$729	\$780	6	1	7	\$147	\$159	\$9,787
CITRUS	11	1	12	\$476	\$510	6	1	7	\$84	\$91	\$6,315
CLAY	6	1	7	\$684	\$732	6	1	7	\$100	\$108	\$5,500
COLLIER	11	1	12	\$1,295	\$1,386	6	1	7	\$155	\$167	\$16,646
COLUMBIA	6	1	7	\$434	\$465	6	1	7	\$143	\$155	\$4,056
DESOTO	11	1	12	\$110	\$117	6	1	7	\$41	\$44	\$1,603
DIXIE	6		6	\$65	\$0	6	1	7	\$36	\$39	\$641
DUVAL	6		6	\$4,179	\$0	6	1	7	\$1,181	\$1,278	\$33,160
ESCAMBIA	6	1	7	\$1,285	\$1,375	6	1	7	\$287	\$310	\$11,031
FLAGLER	6	1	7	\$347	\$371	6	1	7	\$47	\$51	\$2,761
FRANKLIN	5		5	\$59	\$0	6	1	7	\$16	\$18	\$410
GADSDEN	6		6	\$281	\$0	6	1	7	\$354	\$383	\$4,173
GILCHRIST	6	1	7	\$59	\$63	6	1	7	\$11	\$12	\$491
GLADES	6	1	7	\$30	\$33	6	1	7	\$24	\$26	\$385
GULF	6	1	7	\$51	\$55	6	1	7	\$20	\$22	\$504
HAMILTON	6		6	\$88	\$0	6	1	7	\$64	\$69	\$978
HARDEE	11	1	12	\$126	\$135	6	1	7	\$42	\$45	\$1,810
HENDRY	8	1	9	\$178	\$190	6	1	7	\$98	\$106	\$2,295
HERNANDO	8	1	9	\$705	\$755	6	1	7	\$150	\$162	\$7,414
HIGHLANDS	11	1	12	\$348	\$372	6	1	7	\$126	\$136	\$5,066
HILLSBOROUGH	6	1	7	\$5,365	\$5,742	6	1	7	\$1,093	\$1,182	\$45,318
HOLMES	6	1	7	\$79	\$85	6	1	7	\$36	\$38	\$751
INDIAN RIVER	6		6	\$621	\$0	6	1	7	\$165	\$179	\$4,854
JACKSON	6	1	7	\$306	\$328	6	1	7	\$203	\$220	\$3,585
JEFFERSON	6	1	7	\$81	\$87	6	1	7	\$50	\$54	\$924
LAFAYETTE	6		6	\$23	\$0	6	1	7	\$10	\$11	\$210
LAKE	6	1	7	\$1,198	\$1,282	6	1	7	\$195	\$211	\$9,773
LEE	11	1	12	\$2,795	\$2,990	6	1	7	\$392	\$424	\$36,320
LEON	6	1	7	\$1,086	\$1,162	6	1	7	\$160	\$174	\$8,739
LEVY	6		6	\$155	\$0	6	1	7	\$54	\$58	\$1,301
LIBERTY	6	1	7	\$32	\$34	6	1	7	\$22	\$24	\$380
MADISON	6		6	\$84	\$0	6	1	7	\$162	\$175	\$1,644
MANATEE	11	1	12	\$1,303	\$1,394	6	1	7	\$207	\$223	\$17,099
MARION	6	1	7	\$1,722	\$1,843	6	1	7	\$471	\$510	\$15,400
MARTIN	11	1	12	\$725	\$776	6	1	7	\$96	\$104	\$9,379
MIAMI-DADE	9	1	10	\$9,403	\$10,062	6	1	7	\$1,550	\$1,677	\$105,041
MONROE	6		6	\$511	\$0	6	1	7	\$50	\$54	\$3,385
NASSAU	6	1	7	\$260	\$278	6	1	7	\$75	\$81	\$2,351
OKALOOSA	6	1	7	\$937	\$1,002	6	1	7	\$100	\$109	\$7,271
OKEECHOBEE	11	1	12	\$274	\$294	6	1	7	\$82	\$89	\$2,963
ORANGE	6		6	\$5,364	\$0	6	1	7	\$1,062	\$1,149	\$39,352
OSCEOLA	6	1	7	\$1,575	\$1,685	6	1	7	\$227	\$245	\$12,637
PALM BEACH	11	1	12	\$4,979	\$5,328	6	1	7	\$708	\$766	\$64,782
PASCO	6	1	7	\$1,762	\$1,886	6	1	7	\$277	\$300	\$14,305
PINELLAS	6	1	7	\$3,419	\$3,658	6	1	7	\$412	\$446	\$24,424
POLK	11	1	12	\$2,266	\$2,425	6	1	7	\$838	\$907	\$33,144
PUTNAM	6		6	\$303	\$0	6	1	7	\$76	\$83	\$2,339
ST JOHNS	6		6	\$892	\$0	6	1	7	\$195	\$211	\$6,671
ST LUCIE	11	1	12	\$1,118	\$1,197	6	1	7	\$227	\$246	\$15,031
SANTA ROSA	6		6	\$595	\$0	6	1	7	\$119	\$129	\$4,375
SARASOTA	11	1	12	\$1,529	\$1,636	6	1	7	\$184	\$199	\$19,659
SEMINOLE	6	1	7	\$1,870	\$2,001	6	1	7	\$231	\$250	\$14,728
SUMTER	6	1	7	\$406	\$434	6	1	7	\$304	\$329	\$4,994
SUWANNEE	11	1	12	\$209	\$223	6	1	7	\$77	\$83	\$3,048
TAYLOR	6		6	\$122	\$0	6	1	7	\$75	\$81	\$1,256
UNION	5	1	6	\$36	\$38	6	1	7	\$30	\$32	\$426
VOLUSIA	11	1	12	\$1,960	\$2,097	6	1	7	\$299	\$323	\$25,643
WAKULLA	6	1	7	\$105	\$113	6	1	7	\$27	\$29	\$929
WALTON	6	1	7	\$343	\$368	6	1	7	\$120	\$130	\$3,258
WASHINGTON	6	1	7	\$95	\$102	6	1	7	\$26	\$28	\$851
TOTALS				\$79,539	\$68,086				\$15,459	\$16,727	\$816,034

* Revenue based on fuel consumption estimates produced by the Department of Transportation for local government FY 2007-08. Net 1¢ revenue for Local Option Fuel Tax includes deductions for dealer collection allowance (for motor fuels 1.1% for first 6¢ and 1.1% for special fuels), refunds (.03% for all fuels and general revenue service charge (7.3% for all fuels), while net 1¢ revenue for Ninth-cent Fuel Tax (for all fuels) includes deduction only for the dealer collection allowance (1.1%).

Locally Imposed Motor Fuel Taxes

Tax Rates (¢/gal) as of January 1, 2008



SECTION 8 – 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 provides 541.75 million dollars, annually, from document stamp revenue to fund transportation needs.

Source of Present Law

Chapter 201, Florida Statutes