

City of Jacksonville Fair Tax Evaluation

Introduction

The Taxation Revenue and Utilization of Expenditures (TRUE) Commission was chartered via Ordinance Code Section 57.104(f) to provide “Recommendations that will help make Jacksonville the most fairly-taxed and financially-sound city in the nation”. To that end a Fair Taxation Committee was appointed by the TRUE Commission to evaluate the fairness of the City of Jacksonville’s existing tax structure.

Methodology

In the course of completing its evaluation the Fair Taxation Committee reviewed many documents concerning comparative taxes and expenses from Jacksonville, the State of Florida and large cities within the U.S.A. which were requested from and prepared by the Council Auditor and Council Research staffs. Major documents included: a handout describing the many general and special revenue fund accounts contained within the City’s General Fund Budget (Exhibit A); a document describing various theoretical means of evaluating the “fairness” of a tax including horizontal equity, vertical equity, the benefit principal, the ability to pay principal and the progressivity or regressivity of the tax (Exhibit B); *Comparison of Property Taxes and User Fees Among Large Florida Cities and Counties – FY2006-07* a comparison of Jacksonville with 18 Florida cities and counties regarding utility service tax rates, electric franchise fee rates, solid waste users fees and storm water utility fees (Exhibit C); *Tax Rates and Tax Burdens in the District of Columbia- A Nationwide Comparison, 2005* (Exhibit D); a Florida Times-Union article entitled *Some taxes you may not know about really add up* (Exhibit E); and a document specifying each source of revenue utilized by the City of Jacksonville other than the property tax: franchise fees, public service taxes, occupational licenses, State of Florida shared revenues, JEA contributions, half cent sales taxes, local option gas tax, tourism development taxes, and the new storm water management fee, solid waste services fee and JEA franchise fee (Exhibit F).

Copies of the documents reviewed as well as other supporting documentation are included as addendums to this report.

Observations

1. The City of Jacksonville's general fund sources of revenue are as follows:
 - a. Property Tax 49.4%
 - b. Utility Service Tax 11.6%
 - c. JEA Contribution 10.6%
 - d. State Shared ½ Cent Sales Tax 10.0%
 - e. State Shared Other 6.9%
 - f. Charges for Services 6.7%
 - g. Other 4.8%
2. The fees proposed by the Mayor's Office and subsequently approved by the Jacksonville City Council - electric franchise, solid waste and storm water - are lower in almost every category when compared to those charged by the other cities and counties in Florida.
3. When compared to the largest cities in each state in the United States and the District of Columbia, Jacksonville ranks 49th out of 51 in the estimated burden of major taxes for a hypothetical family of three in four of five income brackets (\$50,000; \$75,000; \$100,000 and \$150,000) and 39th out of 51 for a hypothetical family of three with an income of \$25,000 per year.
4. State of Florida statutes govern the collection of the City of Jacksonville's following sources of revenue: property taxes, public service taxes, state shared revenue (cigarette, gas, county and municipal sales taxes, insurance agent, mobile home and alcoholic beverage licenses, and fuel and motor fuel use taxes) and tourist development taxes, Other fees, such as the franchise fees for gas, water and sewer, the ½ cent sales tax and the local option gas tax are governed by City Municipal Codes which restrict maximums charged and often limit the use of funds to specific projects. The JEA annual contribution is determined by an agreement that is negotiated with the JEA based on its need for operating funds and bonding requirements. Occupational license fees are governed by municipal code, but can only be changed as allowed by the State of Florida.

Conclusions

Jacksonville's citizens are fairly taxed when compared to the citizens of other cities and counties in Florida. Jacksonville citizens also have one of the lowest estimated overall tax burdens when compared to the other largest cities in the United States.

The City of Jacksonville has minimal control over the majority of taxes that it levies on its citizens. The State of Florida determines through statute how the largest sources of revenue are assessed, collected and distributed. The sources

that are governed by municipal code are not a significant percentage of the total revenue sources.

Recommendation

The Fair Taxation Committee determined that Jacksonville citizens are fairly taxed when compared to the citizens of other counties and cities in Florida and are one of the lowest taxed citizenries when compared to the largest cities in the United States. However, the committee limited the scope of its study to the evaluation of the City of Jacksonville's total revenue sources and would like to recommend that the TRUE Commission further evaluate the fees allocated to the city's General Fund and governed by City of Jacksonville Municipal Code (such as occupational licenses).

Committee approved 1/28/08