FTA-04: LOCAL OPTION ZERO HOMESTEAD TAX INITIATIVE
STAFF ANALYSIS

PROPOSAL INFORMATION			
SUBMITTING COUNTY:	Okaloosa County		
SPONSOR CONTACT:	Trey Goodwin, Chairman, Board of County Commissioners | tgoodwin@myokaloosa.com | 850-609-6136		
FAC COMMITTEE:	Finance, Tax & Administration (FTA)	**CROSS-CLAIMS:**	CUA
FAC STAFF:	M. Black	**DATE:**	September 29, 2026

This staff analysis is based on the proposal as submitted and does not reflect an adopted position of the Florida Association of Counties.

POLICY PROPOSAL:

FAC supports legislation that provides sustainable revenue sources for counties to provide vital public service functions and protects home rule, allowing local voters to make decisions that impact both their property taxes and their community. This proposal is intended to initiate a statewide conversation regarding whether Florida voters within each County should be provided with an option to replace ad valorem property taxes on homestead properties generated by County and City general millage, with a locally approved consumption-based revenue source, like existing Local Discretionary Sales Surtaxes. The concept seeks enaction of state legislation granting Florida counties the ability to place before their voters, a referendum creating a new and separate local discretionary sales surtax with the following characteristics:

1. New Local Option Authority. Authorize counties to adopt a ballot measure to levy an additional one percent (1%) county local option sales surtax, separate and apart and in addition to any other existing discretionary surtax programs.
2. Voter Approval Required -Require approval by at least sixty percent (60%) of county voters through a general election referendum before implementation.
3. Locally Controlled Revenue generated by the surtax would be distributed to the cities, towns and county per the existing revenue-sharing formulas or by interlocal, as applicable to other discretionary surtaxes.
4. General Fund Eligibility -Revenue generated by the surtax would serve as a replacement funding source for county and city general revenue currently derived from homesteaded property taxation.
5. Property Tax Relief Requirement, as a condition of levying the surtax, the county and cities therein would be prohibited from levying any general millage on any homestead property during the term of the surtax. This could be an item without a term that would have to be repealed by vote in the same manner as it was adopted.
6. Limited Scope -This proposal would apply only to the County's and City's general revenue ad valorem levy. It would not automatically affect: School district taxes; Independent special districts; Fire districts; non-ad valorem assessments; MSTUs/MSBUs; Stormwater Districts; and Other local taxing authorities

I. SUMMARY:

Okaloosa County asks FAC to support legislation giving county voters the option to replace the county and municipal general-fund ad valorem taxes levied on homestead property with a locally approved, consumption-based revenue source. The underlying concept would authorize a new and separate one-percent local option discretionary sales surtax that (1) is levied in addition to any existing surtax; (2) requires approval by at least 60 percent of the county's voters at a general election; (3) is distributed to the county and its municipalities by interlocal agreement or the statutory formula used for other shared surtaxes; (4) serves as a general-fund replacement for homestead property tax revenue; and (5) is conditioned on the county and its cities not levying general millage on homestead property for as long as the surtax is in effect. School district levies, independent special districts, MSTUs/MSBUs, and non-ad valorem assessments would not be affected.

II. PRESENT SITUATION:

County Revenue Sources

Article VII, Section 1(a) of the Florida Constitution reserves all forms of taxation, other than ad valorem taxes, to the state, except as provided by general law. Counties, school districts, and municipalities are authorized to levy ad valorem taxes and may also be authorized, by general law, to levy other taxes, such as local discretionary sales surtaxes.

Local Discretionary Sales Surtaxes

Counties have limited authority to levy discretionary sales surtaxes (also known as local option sales taxes) for specific purposes on transactions subject to the state sales tax under ch. 212, F.S., and on communications services under ch. 202, F.S. The surtax is levied in addition to the 6 percent state rate and does not apply to the portion of the sales price above $5,000 on any single item of tangible personal property.

Section 212.055, F.S., currently authorizes nine surtaxes and states the Legislature's intent that each authorization be published as a subsection of that section specifying the eligible counties, rates, maximum duration, voter-approval procedure, and permissible uses. Several surtaxes are subject to combined rate caps; for example, a county may not levy the local government infrastructure, small county, indigent care and trauma center, and county public hospital surtaxes above a combined 1 percent.

The Local Government Financial Information Handbook provides that, during the 2025-2026 local fiscal year, the 59 county governments and 31 school districts levying one or

more local discretionary sales surtaxes will realize an estimated $5.45 billion in revenue. The Handbook further provides that the "county government and school districts not currently levying all possible local discretionary sales surtaxes at the maximum possible rates will allow an estimated $12.40 billion to go unrealized. Among county governments, only Madison County currently levies its maximum potential tax rate." Only Citrus and Collier Counties levy no discretionary sales surtax.

Three procedural requirements typically apply to every discretionary sales surtax in Florida: (1) voter and/or board authorization—each surtax typically requires an ordinance adopted by the governing body and approval by a majority of electors in a referendum held at a general election to adopt, amend, or reenact the surtax;[1] (2) a performance audit of the program associated with the proposed surtax must be conducted by an independent certified public accountant procured by the Office of Program Policy Analysis and Government Accountability (OPPAGA); and (3) the county must submit its final ordinance to OPPAGA at least 180 days before the referendum and post the completed audit at least 60 days before the vote, or the referendum is void.[2] Finally, beginning in 2025, a governing board may reduce or repeal a surtax that has no expiration date by a two-thirds vote, beginning October 1 of the fourth year of the levy.[3]

Currently, the only local discretionary sales surtax that operates in a manner similar to the proposal is the emergency fire rescue services and facilities surtax in s. 212.055(8), F.S., which requires that surtax revenue be offset by a corresponding reduction in ad valorem taxes.

Emergency Fire Rescue Services and Facilities Surtax – s. 212.055(8), F.S.

Eligible county governments may levy an emergency fire rescue services and facilities surtax at a rate of up to 1 percent pursuant to an ordinance enacted by the county's governing body and approved by the voters in a countywide referendum. The referendum must be placed on the ballot of a regularly scheduled election, and the referendum ballot must conform to the requirements of s. 101.161, F.S. Surtax collections must be initiated on January 1 of the year following a successful referendum to coincide with s. 212.054(5), F.S.

Upon the surtax taking effect and initiation of collections, each local government entity receiving a share of surtax proceeds must reduce the ad valorem tax levy or any non-ad valorem assessment for fire control and emergency rescue services in its next and subsequent budgets by the estimated amount of revenue provided by the surtax.

[1] See ss. 212.054(6) and 212.055(10), F.S.
[2] Section 212.055(11), F.S.
[3] Chapter 2025-208, Laws of Florida (HB 7031); s. 212.055(12), F.S.

III. EFFECT OF THE PROPOSAL:

The policy statement asks FAC to support “a new, voter-approved one-percent surtax that could replace county and municipal general-fund homestead millage for counties with a significant reduction in ad valorem revenue.” The proposal would require state legislation that grants Florida counties the ability to place before their voters a referendum creating a new and separate local discretionary sales surtax with the following characteristics:

1. New Local Option Authority. Authorize counties to adopt a ballot measure to levy an additional one percent (1%) county local option sales surtax, separate and apart and in addition to any other existing discretionary surtax programs.

2. Voter Approval Required. Require approval by at least sixty percent (60%) of county voters through a general election referendum before implementation.

3. Locally Controlled Revenue. Revenue generated by the surtax would be distributed to the cities, towns, and county per the existing revenue-sharing formulas or by interlocal agreement, as applicable to other discretionary surtaxes.

4. General Fund Eligibility. Revenue generated by the surtax would serve as a replacement funding source for county and city general revenue currently derived from homesteaded property taxation.

5. Property Tax Relief Requirement. As a condition of levying the surtax, the county and cities therein would be prohibited from levying any general millage on any homestead property during the term of the surtax. This could be an item without a term that would have to be repealed by vote in the same manner as it was adopted.

6. Limited Scope. This proposal would apply only to the counties and cities’ general revenue ad valorem levies. It would not automatically affect school district taxes; independent special districts; fire districts; non-ad valorem assessments; MSTUs/MSBUs; stormwater districts; or other local taxing authorities.

IV. COUNTY IMPACT:

The proposal would create an optional surtax like other local discretionary sales surtaxes; no county would be required to levy it. For counties that choose to do so and have capacity under their allowable surtax rate—which varies based on existing surtaxes—the impact would depend on local conditions. Counties with strong tourism and regional retail activity would benefit most because visitors and nonresidents would pay a portion of the surtax. Rural and fiscally constrained counties with smaller retail bases would generate less revenue. Each county would need to consider its available

surtax capacity. Sales tax revenue is more sensitive than property tax revenue to recessions, tourism cycles, and hurricanes.

Although the proposal's drafter states that this option should be considered without regard to the outcome of Amendment 3, staff notes that replacing a stable revenue source with a more volatile one would increase budget risk and may require larger reserves. Replacing homestead taxes with a consumption tax would also shift part of the burden to renters and non-homestead residents, a concern opponents are likely to raise.

If Amendment 3 passes, counties would lose part of their homestead tax base automatically, and the new surtax could help backfill that loss.

Protective of Home Rule: Yes. The proposal expands local revenue options and leaves the decision to each county's voters.

V. FISCAL IMPACT:

State: The proposal would not affect state sales tax revenue. The Department of Revenue would administer the surtax under s. 212.054, F.S., with its standard administrative fee, and OPPAGA would procure performance audits if a referendum is required.

Local: Indeterminate; the impact depends on which counties adopt the surtax and on voter approval. The sponsor estimates that a 1 percent surtax would generate approximately $5.834 billion statewide in countywide distributions, based on EDR data. For comparison, the Revenue Estimating Conference's June 2026 estimate of Amendment 3's recurring non-school impact was approximately $11.86 billion, which also includes special district levies and the non-homestead assessment cap reduction.

In Okaloosa County, the sponsor of this proposal estimates that county and municipal millage on homestead property generates approximately $53 million countywide, and that a one-cent surtax would replace that revenue for the County and for eight of its nine municipalities. The sponsor estimates that the County's 50,800 homesteads (57.9 percent of residential parcels) would pay up to 50 percent less on average under the sales tax model.

Unfunded Mandate (Art. VII, s. 18, Fla. Const.): No. The proposal grants optional authority. It does not require counties to spend funds, and it does not reduce their authority to raise revenue or their share of state tax revenue.

VI. LEGISLATIVE & FAC HISTORY:

Legislative History

- CS/CS/SB 1000 (2009) – Sen. Fasano; companion CS/CS/HB 365, Rep. Hooper: Created the emergency fire rescue services and facilities surtax in s. 212.055(8), F.S., which requires each participating local government to reduce its ad valorem taxes or non-ad valorem assessments for fire control and emergency rescue services by the estimated amount of surtax revenue. Enacted (ch. 2009-182, L.O.F.). CS/CS/HB 1205 (2009) – House Military & Local Affairs Policy Committee; companion CS/SB 2210, Sen. Wilson: Renamed the charter county transit system surtax the charter county transportation system surtax, extended eligibility to additional charter counties, and required counties to revise their surtax interlocal agreements at least every 5 years to include newly created municipalities. Enacted (ch. 2009-146, L.O.F.).
- CS/CS/HB 7117 (2012) – House Energy & Utilities Subcommittee authorized local government infrastructure surtax proceeds to be used for loans, grants, or rebates to property owners who make energy efficiency improvements, if approved by referendum. Enacted (ch. 2012-117, L.O.F.).
- CS/HB 1297 (2016) – Reps. Cummings and Ray; companion CS/CS/SB 1652: Created the pension liability surtax in s. 212.055(9), F.S., at a rate of up to 0.5 percent to fund an underfunded defined benefit retirement plan, available only after the county's local government infrastructure surtax terminates and subject to a 1 percent combined rate cap with other surtaxes. Enacted (ch. 2016-146, L.O.F.).
- CS/HB 7087 (2018) – House Ways & Means Committee, Rep. Renner: amendment added the requirement that an independent certified public accountant conduct a performance audit of the program associated with a proposed surtax, with the audit posted online at least 60 days before the referendum, for referenda held on or after March 23, 2018. Enacted (ch. 2018-118, L.O.F.).
- CS/CS/HB 5 (2019) – Rep. DiCeglie; companions CS/SB 1040, Sen. Lee, and CS/CS/SB 336, Sen. Brandes: Required referenda to adopt or amend a surtax to be held at a general election; directed OPPAGA to procure the certified public accountant for performance audits; required the final ordinance or resolution to be provided to OPPAGA at least 180 days before the referendum, with noncompliance rendering the referendum void; and added requirements for surtaxes proposed by citizen initiative. Enacted (ch. 2019-64, L.O.F.).
- HB 793 (2019) – Rep. Stone: Would have authorized specified local governments to use local government infrastructure surtax proceeds for operating purposes under certain conditions, required a corresponding reduction in ad valorem tax levies, and excluded certain surtaxes from the combined rate cap. Died in the Local, Federal & Veterans Affairs Subcommittee.

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- SB 1016 (2020) – Sen. Rouson: Would have redefined “infrastructure” for the local government infrastructure surtax to expand authorized expenditures and revise criteria for proceeds used for affordable residential housing and ground leases. Died in Senate Community Affairs.
- CS/HB 7097 (2020) – House Ways & Means Committee: limited charter county and regional transportation system surtaxes approved by referendum on or after July 1, 2020, to a maximum of 30 years and required future school capital outlay surtax revenues to be shared with eligible charter schools. Enacted (ch. 2020-10, L.O.F.).
- SB 1994 (2021) – Sen. Taddeo: attempted to authorize certain counties to levy a local government infrastructure surtax specifically to mitigate the adverse effects of sea-level rise and flooding, subject to specified conditions and a ballot statement. Died in Senate Community Affairs.
- CS/CS/HB 1221 (2025) – Reps. Miller and Basabe; companion CS/CS/SB 1664, Sen. Trumbull: attempted to require local governments to renew existing discretionary sales surtaxes and tourist development taxes by referendum on or before January 1, 2033, and established an eight-year maximum duration for new levies approved by referendum (with certain exceptions). HB 1221 passed the House and died in Senate Appropriations; SB 1664 died on the Senate Calendar.
- CS/CS/CS/HB 1105 (2025) – House Careers & Workforce Subcommittee (carrying language from CS/CS/HB 1115, Rep. Valdés): Required that local government infrastructure surtax revenues allocated to a school district under an interlocal agreement be shared with eligible charter schools. Enacted (ch. 2025-109, L.O.F.).
- HB 7031 (2025) – House Ways & Means Committee, Rep. Duggan: Authorized a governing board or school board, by two-thirds vote, to reduce or repeal a surtax that has no expiration date, beginning October 1 of the fourth year of the levy. Enacted (ch. 2025-208, L.O.F.).

FAC History

- 2021: Marion County proposed that FAC support allowing a discretionary sales surtax for general purposes, including operating expenses, paired with a commensurate ad valorem reduction. The statement was not included in the final Legislative Action Plan.
- 2025 (FTA-13): Marion County proposed that FAC support a new surtax of up to 1 percent, approved by local referendum and dedicated to operating expenses, with an equal reduction in ad valorem taxes. The committee recommended deferring the proposal to the Legislative Conference.

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- Guiding Principles: Revenue (B. Local Revenue Authority) FAC supports counties reliance on local option sales surtaxes to meet local service, infrastructure and community needs.

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