HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: PCB WMC 24-07 Tangible Personal Property Tax Exemptions Implementing Bill
SPONSOR(S): Ways & Means Committee
TIED BILLS: **IDEN./SIM. BILLS:**

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
Orig. Comm.: Ways & Means Committee	15 Y, 7 N	Rexford	Aldridge

SUMMARY ANALYSIS

The Florida Constitution grants exclusive authority to local governments to levy ad valorem taxes on real and tangible personal property. Tangible personal property is singled out for special treatment in the Constitution. Motor vehicles, boats, airplanes, trailers, trailer coaches and mobile homes are excluded from ad valorem taxation. Household goods up to $1,000 in value are exempt. Tangible personal property not specifically exempt from taxation is subject to ad valorem taxation.

The Florida Constitution, provides for a $25,000 exemption from the assessed value of tangible personal property subject to ad valorem taxation.

Fiscally constrained counties are counties entirely within a rural area of opportunity or where a 1 mill levy would raise no more than $5 million in annual tax revenue. A "rural area of opportunity" is a rural community or a region, as designated by the Governor, that has been adversely affected by an extraordinary economic event, a severe or chronic distress, or a natural disaster or that presents a unique economic development opportunity of regional impact. The Legislature annually appropriates money to fiscally constrained counties to offset ad valorem tax revenue reductions caused by various amendments to the Florida Constitution.

The bill implements the amendment to Article VII, Section 3 of the Florida Constitution proposed by PCB WMC 24-06, by making conforming statutory changes. Specifically, the bill amends statute to change the amount of the exemption on the assessed value of tangible personal property from $25,000 to $50,000.

The bill also requires the Legislature to appropriate funds to offset reductions in ad valorem tax revenue experienced by fiscally constrained counties as a result of the increase in the exemption for tangible personal property.

The bill provides emergency rulemaking authority to the Department of Revenue to administer the provisions of the act.

The Revenue Estimating Conference has not estimated the potential revenue impacts of the bill. Staff estimates that the impact on state and local government revenues is zero as the constitutional amendment implemented by the bill is self-executing. Therefore, revenue impacts would result from approval of the constitutional amendment, not the implementing legislation.

This bill takes effect on the same day that the constitutional amendment proposed by PCB WMC 24-06, or a similar joint resolution, takes effect, which is January 1, 2025.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Current Situation

Ad Valorem Taxes

The Florida Constitution reserves ad valorem taxation on real and tangible personal property to local governments.[1] Ad valorem taxes are annual taxes levied by counties, municipalities, school districts, and certain special districts. These taxes are based on the just value (fair market value) of real and tangible property as determined by county property appraisers on January 1 of each year.[2] The just value may be subject to limitations, such as the "Save Our Homes" limitation on homestead property assessment increases.[3] The value arrived at after accounting for applicable limitations is known as the assessed value. Property appraisers then calculate the taxable value by reducing the assessed value in accordance with any applicable exemptions, such as the exemptions for homestead property.[4] Each year, local governing boards levy millage rates (i.e. tax rates) on the taxable value to generate the property tax revenue contemplated in their annual budgets.

Taxation of Tangible Personal Property

Article VII, Section 1, of the Florida Constitution grants exclusive authority to local governments to levy ad valorem taxes on real and tangible personal property, and establishes requirements that the state legislature and local governments must follow when levying and administering ad valorem property taxes. It requires that all ad valorem taxation be at a uniform rate within each taxing district and that property must be assessed at just value unless the Constitution provides for a different assessment standard.

Tangible personal property is singled out for special treatment in the Constitution. Motor vehicles, boats, airplanes, trailers, trailer coaches and mobile homes are excluded from ad valorem taxation.[5] Household goods up to $1,000 in value are exempt.[6] Tangible personal property held for sale as stock in trade and livestock may be valued for taxation at a specified percentage of its value, classified for tax purposes, or exempted by general law.[7] Tangible personal property not specifically exempt from taxation is subject to ad valorem taxation.

Article VII, Section 3(e), Florida Constitution, provides for a $25,000 exemption from the assessed value of tangible personal property subject to ad valorem taxation. This exemption is implemented in s. 196.183, F.S.

Section 196.183(1), F.S., provides that a single return must be filed for each site in the county where the owner of tangible personal property transacts business. Owners of freestanding property placed at multiple sites, other than sites where the owner transacts business, must file a single return, including all such property located in the county. Freestanding property placed at multiple sites includes vending and amusement machines, LP/propane tanks, utility and cable company property, billboards, leased equipment, and similar property that is not customarily located in the offices, stores, or plants of the owner, but is placed throughout the county.

Fiscally Constrained Counties

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[1] Art. VII, s. 1(a)., Fla. Const.
[2] Art. VII, s. 4., Fla. Const.
[3] *See generally* s. 193.155, F.S.
[4] S. 196.031, F.S.
[5] Art. VII, s. 1(b), Fla. Const.
[6] Art. VII, s. 3(b), Fla. Const.
[7] Art. VII, s. 4(b), Fla. Const.

Fiscally constrained counties are counties entirely within a rural area of opportunity or where a 1 mill levy would raise no more than $5 million in annual tax revenue.[8] A "rural area of opportunity" is a rural community or a region, as designated by the Governor, that has been adversely affected by an extraordinary economic event, a severe or chronic distress, or a natural disaster or that presents a unique economic development opportunity of regional impact.[9]

Florida's fiscally constrained counties are Baker, Bradford, Calhoun, Columbia, Desoto, Dixie, Franklin, Gadsden, Gilchrist, Glades, Gulf, Hamilton, Hardee, Hendry, Highlands, Holmes, Jackson, Jefferson, Lafayette, Levy, Liberty, Madison, Okeechobee, Putnam, Suwannee, Taylor, Union, Wakulla, and Washington.[10]

The Legislature annually appropriates money to fiscally constrained counties to offset ad valorem tax revenue reductions caused by various amendments to the Florida Constitution.[11] In order to receive an offset distribution, fiscally constrained counties must annually provide the Department of Revenue with an estimate of the expected reduction in ad valorem tax revenues that are directly attributable to specified revisions of Article VII of the Florida Constitution.[12] This prevents such amendments related to property tax from negatively affecting fiscally constrained county tax revenues.

Effect of Proposed Changes

If the voters approve the amendment to Article VII, Section 3 of the Florida Constitution proposed by PCB WMC 24-06, the bill implements the amendment by making conforming statutory changes. Specifically, the bill amends s. 196.183, F.S., to change the amount of the exemption on the assessed value of tangible personal property from $25,000 to $50,000.

The bill creates s. 218.126, F.S., requiring the Legislature to appropriate funds to offset reductions in ad valorem tax revenue experienced by fiscally constrained counties as a result of the increase in the exemption for tangible personal property. To receive the offset, a qualifying county must annually apply to the Department of Revenue and provide documentation regarding the county's estimated reduction in ad valorem tax revenue. If a fiscally constrained county fails to apply for the distribution, its share reverts to the fund from which the appropriation was made.

The bill provides emergency rulemaking authority to the Department of Revenue to administer the provisions of the act.

B. SECTION DIRECTORY:

Section 1: Amends s. 196.183, F.S., increasing the amount of the exemption on the assessed value of tangible personal property from $25,000 to $50,000.

Section 2: Creates s. 218.126, F.S., requiring the Legislature to appropriate money to offset losses experienced by fiscally constrained counties. Providing procedures for fiscally constrained counties to apply for funds.

Section 3: Authorizing the Department of Revenue to adopt emergency rules.

Section 4: Clarifying that the act first applies to the 2025 tax roll.

Section 5: Providing a contingent effective date.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

[8] S. 218.67(1), F.S.
[9] S. 288.0656, F.S.
[10] Florida Department of Revenue, *Fiscally Constrained Counties*, available at: https://www.floridarevenue.com/property/Documents/fcc_map.pdf (last visited Feb. 9, 2024).
[11] *See* ss. 218.12, 218.125, and 218.135, F.S.
[12] Ss. 218.12(2), 218.125(2), and 218.135(2), F.S.

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

   None.

2. Expenditures:

   If the bill becomes effective and the Legislature makes appropriations as contemplated by the bill, the staff estimates the state expenditures necessary to fully offset the revenue losses for fiscally constrained counties resulting from increasing the amount of the exemption on the assessed value of tangible personal property would be approximately $3 million annually beginning in FY 2025-26.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

   The Revenue Estimating Conference has not estimated the potential revenue impacts of the bill, staff estimates that the impact on state and local government revenues is zero as the constitutional amendment implemented by the bill is self-executing. Therefore, revenue impacts would result from approval of the constitutional amendment, not the implementing legislation.

2. Expenditures:

   None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None. The economic impact on the private sector would result from approval by the voters of the constitutional amendment proposed by PCB WMC 24-06, not the implementing legislation.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

   Not applicable. The mandates provision does not apply to provisions of legislative acts that conform statutes to a new constitutional requirement. The other provisions of the bill do not appear to require counties or municipalities to spend funds or take action requiring the expenditures of funds; reduce the authority that counties or municipalities have to raise revenues in the aggregate; or reduce the percentage of state tax shared with counties or municipalities.

2. Other:

   None.

B. RULE-MAKING AUTHORITY:

This bill authorizes the Florida Department of Revenue to adopt emergency rules to administer the act.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES

None.