

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: PCB WMC 24-06 Tangible Personal Property Tax Exemptions

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 reserves ad valorem taxation on real and tangible personal property to local. 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.

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 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. 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.

The joint resolution proposes an amendment Article VII, Section 3 of the Florida Constitution, to increase the amount of the exemption on the assessed value of tangible personal property from \$25,000 to \$50,000.

The Revenue Estimating Conference has not estimated the potential revenue impacts of the joint resolution. Staff estimates that the recurring negative impact on local government revenues would be approximately -\$100 million beginning in FY 2025-26.

Subject to approval by 60 percent of voters during the 2024 general election or earlier special election, the amendment proposed in the joint resolution will take effect on January 1, 2025. The joint resolution is not subject to the governor's veto powers.

A joint resolution proposing an amendment to the Florida Constitution must be passed by three-fifths of the membership of each house of the Legislature.

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.

Effect of Proposed Changes

The joint resolution proposes an amendment to Article VII, Section 3 of the Florida Constitution, to increase the amount of the exemption on the assessed value of tangible personal property from \$25,000 to \$50,000.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

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.

1. Revenues:

None.

2. Expenditures:

Article XI, Section 5(d) of the Florida Constitution requires publication of a proposed amendment in a newspaper of general circulation in each county. The Division of Elections within the Department of State must advertise the full text of the amendment twice in a newspaper of general circulation in each county where the amendment will appear on the ballot. The Division must also provide each supervisor of elections with either booklets or posters displaying the full text of each proposed amendment.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

The Revenue Estimating Conference has not estimated the potential revenue impacts of the joint resolution. Staff estimates that the negative recurring impact on local government revenues would be approximately -\$100 million beginning in FY 2025-26.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

If the amendment proposed by the joint resolution is approved by voters, taxpayers who own certain taxable tangible personal property would see a reduction in their ad valorem taxes on the tangible personal property. There are approximately 200,000 accounts on tax rolls statewide with a tax liability for the ad valorem tax on tangible personal property. If the amendment proposed by the joint resolution had been law in 2023, approximately 50,000 of those 200,000 accounts would have had no tax liability.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not applicable. The mandates provision applies only to a general law, not to a joint resolution proposing an amendment to the state Constitution.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES

None.