

# SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

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Prepared By: Community Affairs Committee

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BILL: SB 1024

INTRODUCER: Senator Haridopolos

SUBJECT: Homestead Exemption/Age 65 and Older

DATE: February 9, 2007

REVISED: 2/21/07

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|    | ANALYST | STAFF DIRECTOR | REFERENCE | ACTION           |
|----|---------|----------------|-----------|------------------|
| 1. | Herrin  | Yeatman        | CA        | <b>Favorable</b> |
| 2. |         |                | FT        |                  |
| 3. |         |                |           |                  |
| 4. |         |                |           |                  |
| 5. |         |                |           |                  |
| 6. |         |                |           |                  |

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## I. Summary:

This bill conforms s. 196.075, F.S., to the amendments to s. 6, Art. VII and s. 26, Art. XII of the State Constitution, that were approved in the November 2006 election, which authorize the Legislature to allow a local government to increase the maximum amount of the additional homestead exemption for low income seniors from \$25,000 to \$50,000. The bill also allows a taxing authority that has adopted an additional homestead exemption for low income seniors for the 2007 tax year to increase the amount of the exemption up to the \$50,000 limit for 2007 if a copy of the ordinance authorizing the increase is delivered to the property appraiser by May 1, 2007.

This bill amends section 196.075 of the Florida Statutes.

## II. Present Situation:

### Property Tax in Florida

The local ad valorem tax is an annual tax levied by local governments based on the assessed value of real and tangible personal property as of January 1 of each year.<sup>1</sup> Ad valorem is the Latin term meaning "according to the value." The State Constitution prohibits the state government from levying an ad valorem tax, except on intangible personal property. The taxable value of real and tangible personal property is the fair market value of the property adjusted for any exclusions, differentials, or exemptions allowed by the constitution or the statutes.<sup>2</sup> Tax bills are mailed in November of each year based on the previous January 1st valuation, and payment

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<sup>1</sup> See 2006 Florida Tax Handbook, p. 134.

<sup>2</sup> See 2006 Florida Tax Handbook, p. 134.

is due by the following March 31.<sup>3</sup> Local ad valorem tax revenues in Florida were approximately \$25.8 billion in Fiscal Year 2005-2006.<sup>4</sup>

Section 6, Art. VII of the State Constitution, authorizes an exemption from ad valorem taxation for homestead property owned by a taxpayer and used as the owner's permanent residence or the permanent residence of another who is legally or naturally dependent upon the owner. The value of the homestead exemption is currently \$25,000 of the assessed value of the real estate.

### **Additional Homestead Exemption for the Elderly**

Section 6(f), Art. VII of the State Constitution, authorizes the Legislature to allow counties or municipalities, by ordinance, for the purpose of their respective tax levies, to grant an additional homestead tax exemption of up to \$25,000 to resident homeowners who are 65 years of age and whose household income, as defined by general law, does not exceed \$20,000, adjusted for inflation.<sup>5</sup> (For 2007, the maximum eligible income is \$24,214.) Currently, 53 counties and 158 municipalities have implemented the additional homestead exemption authorized under this section.<sup>6</sup>

In 2006, the Legislature enacted HJR 353 which proposed to amend Section 6, Article VII, and create Section 26, Art. XII of the State Constitution, to authorize the Legislature to increase the maximum additional homestead exemption for low-income seniors from \$25,000 to \$50,000. Voters approved this amendment to the State Constitution in the November 2006 election.

### **III. Effect of Proposed Changes:**

This bill amends s. 196.075, F.S., to conform to the amendments to s. 6, Art. VII and s. 26, Art. XII of the State Constitution, that authorizes a local government to increase the maximum additional homestead exemption for low income seniors from \$25,000 to \$50,000. It also allows a taxing authority that has adopted an additional homestead exemption for low income seniors under s. 196.075, F.S., for the 2007 tax year to increase the amount of the exemption up to the \$50,000 limit by delivering a copy of the adopted ordinance authorizing the increase to the property appraiser by May 1, 2007.

This bill takes effect upon becoming a law.

### **IV. Constitutional Issues:**

#### **A. Municipality/County Mandates Restrictions:**

None.

#### **B. Public Records/Open Meetings Issues:**

None.

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<sup>3</sup> See 2006 Florida Tax Handbook, p. 134.

<sup>4</sup> See 2006 Florida Tax Handbook, p. 133.

<sup>5</sup> Implemented in s. 196.075, F.S.

<sup>6</sup> The Department of Revenue calculated the maximum eligible income for 2007 and confirmed the number of counties and municipalities that have implemented the additional exemption.

C. Trust Funds Restrictions:

None.

**V. Economic Impact and Fiscal Note:**

A. Tax/Fee Issues:

This bill authorizes counties and municipalities to increase the amount of the additional homestead exemption for low-income seniors from its current \$25,000 limitation up to \$50,000. The household income of these low-income seniors may not exceed \$20,000, adjusted for inflation. Any reduction in the property tax base may result in a corresponding shift in the property tax burden to other property owners.

B. Private Sector Impact:

This bill authorizes counties and municipalities to increase the amount of the additional homestead exemption up to a \$50,000 limitation for a low-income senior whose household income does not exceed \$20,000, adjusted for inflation.

C. Government Sector Impact:

The Revenue Estimating Conference estimates that, if all cities and counties adopted the maximum additional homestead exemption of \$50,000, the statewide recurring 2007-08 impact would be \$43.4 million at 9.5 mills.<sup>7</sup>

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

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This Senate staff analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.

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<sup>7</sup> The conference used an average statewide rate of 9.5 mills to calculate the fiscal impact because this exemption does not apply to school districts.



## **VIII. Summary of Amendments:**

None.

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