

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 1163 Ad Valorem Taxation

SPONSOR(S): Dorworth and others

TIED BILLS: CS/HJR 381, HB 1053

IDEN./SIM. BILLS: SB 1722

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Finance & Tax Committee		Aldridge	Langston
2) Community & Military Affairs Subcommittee			
3) Economic Affairs Committee			

SUMMARY ANALYSIS

The bill implements the proposed constitutional amendments contained in CS/HJR 381. Substantive provisions of the bill become effective upon approval of those constitutional amendments by the voters. The bill provides contingent language to become effective, whether voted on and approved with the 2012 presidential preference primary or the 2012 general election.

Non-Homestead Assessment Limitation

The bill amends the Florida Statutes to reflect the provisions of CS/HJR 381 that reduce the annual growth in assessment limitation on certain non-homestead property from 10% to 3% upon voter approval of the amendment. If approved by the voters with the 2012 presidential preference primary, this provision will take effect on January 1, 2012. If approved by the voters with the 2012 general election, this provision will take effect on January 1, 2013.

Additional Homestead Exemption for First Time Homesteaders

The bill creates a new statutory section that sets forth the requirements contained in CS/HJR 381 that allow individuals that are entitled to a homestead exemption under s. 6(a), Art. VII, State Constitution and have not received a homestead exemption in the previous three years to receive an additional homestead exemption equal to 50% of the just value of the homestead property. The additional exemption will apply to all property taxes other than school district taxes. The amount of the exemption cannot exceed \$200,000. The additional exemption is reduced each succeeding year by the greater of 20% of the initial exemption or the Save Our Homes Benefit (the difference between just value and assessed value determined under SOH). The bill provides for an application process for the exemption and sets forth requirements that must be met in order to retain the exemption upon addition of another person to the title of an affected property.

If approved by the voters with the 2012 presidential preference primary, this provision will take effect on January 1, 2012, and shall be available for properties purchased on or after January 1, 2011. If approved by the voters with the 2012 general election, this provision will take effect on January 1, 2013, and shall be available for properties purchased on or after January 1, 2012.

The bill authorizes the Department of Revenue to adopt emergency rules to implement the provisions of the bill.

The Revenue Estimating Conference (REC) has estimated that the provisions of the constitutional amendment, as implemented by this bill beginning in 2012, will have a negative revenue impact on non-school property taxes of \$231.6 million in FY 2012-13, growing to \$1,271.9 million by FY 2015-16, **assuming current millage rates.**

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Current Situation

Just Value

Section 4, Art. VII, of the State Constitution, requires that all property be assessed at just value for ad valorem tax purposes. Under Florida law, “just valuation” is synonymous with “fair market value”, and is defined as what a willing buyer would pay a willing seller for the property in an arm’s length transaction.¹

Assessed Value

The Florida Constitution authorizes certain alternatives to the just valuation standard for specific types of property.² Agricultural land, land producing high water recharge to Florida’s aquifers, and land used exclusively for noncommercial recreational purposes may be assessed solely on the basis of their character or use.³ Land used for conservation purposes must be assessed solely on the basis of character or use.⁴ Livestock and tangible personal property that is held for sale as stock in trade may be assessed at a specified percentage of its value be or totally exempted from taxation.⁵ Counties and municipalities may authorize historic properties to be assessed solely on the basis of character or use.⁶ Counties may also provide a reduction in the assessed value of property improvements on existing homesteads made to accommodate parents or grandparents that are 62 years of age or older.⁷ The Legislature is authorized to prohibit the consideration of improvements to residential real property for purposes of improving the property’s wind resistance or the installation of renewable energy source devices in the assessment of the property.⁸ Certain working waterfront property is assessed based upon the property’s current use.⁹

Save Our Homes

The “Save Our Homes” provision in section 4, Art. VII, of the State Constitution, limits the amount a homestead’s assessed value can increase annually to the lesser of 3% or the inflation rate as measured by the consumer price index (CPI).¹⁰ Homestead property owners that establish a new homestead may transfer up to \$500,000 of their accrued “Save Our Homes” benefit to the new homestead.¹¹

Additional Assessment Limitations

Sections 4(g) and (h), Art. VII, State Constitution, provide an assessment limitation for non-homestead residential real property containing nine or fewer units, and for all real property not subject to other specified assessment limitations. For all levies, with the exception of school levies, the assessed value of property in each of these two categories may not be increased annually by more than 10% of the assessment in the prior year. However, residential real property containing nine or fewer units **must** be assessed at just value whenever there is a change in ownership or control. For the other real property subject to the limitation, the Legislature **may** provide that such property shall be assessed at just value after a change of ownership or control and **must** provide for reassessment following a qualifying improvement, as defined by general law. Section 27, Art. XII, State Constitution, provides that the

¹ Section 193.011, F.S. See also *Walter v. Shuler*, 176 So.2d 81 (Fla. 1965); *Deltona Corp. v. Bailey*, 336 So.2d 1163 (Fla. 1976); and *Southern Bell Tel. & Tel. Co. v. Dade County*, 275 So.2d 4 (Fla. 1973).

² The constitutional provisions in section 4, Art. VII, of the State Constitution, are implemented in Part II of ch. 193, F.S.

³ Art. VII, section 4(a) of the Florida Constitution.

⁴ Art. VII, section 4(b) of the Florida Constitution.

⁵ Art. VII, section 4(c) of the Florida Constitution.

⁶ Art. VII, section 4(e) of the Florida Constitution.

⁷ Art. VII, section 4(f) of the Florida Constitution.

⁸ Art. VII, section 4(i) of the Florida Constitution.

⁹ Art. VII, section 4(j) of the Florida Constitution.

¹⁰ Art. VII, section 4(d) of the Florida Constitution.

¹¹ Art. VII, section 4(d) of the Florida Constitution.

amendments creating a limitation on annual assessment increases in subsections (f) and (g) are repealed effective January 1, 2019, and that the Legislature must propose an amendment abrogating the repeal, which shall be submitted to the voters for approval or rejection on the general election ballot for 2018.

Homestead Exemption

Section 6, Art. VII, State Constitution, provides that every person who owns real estate with legal and equitable title and maintains their permanent residence, or the permanent residence of their dependent upon such real estate, is eligible for a \$25,000 homestead tax exemption applicable to all ad valorem tax levies including school district levies. An additional \$25,000 homestead exemption applies to homesteads that have an assessed value greater than \$50,000 and up to \$75,000, excluding school district levies.

Other Exemptions

Section 3, Art. VII, State Constitution, provides for other specific exemptions from property taxes. Property owned by a municipality and used exclusively for municipal or public purposes is exempt, and portions of property used predominantly for educational, literary, scientific, religious or charitable purposes may be exempted by general law.¹² Additional exemptions are provided for household goods and personal effects, widows and widowers, blind persons and persons who are totally and permanently disabled.¹³ A county or municipality is authorized to provide a property tax exemption for new and expanded businesses, but only against its own millage and upon voter approval.¹⁴ A county or municipality may also grant an historic preservation property tax exemption against its own millage to owners of historic property.¹⁵ Tangible personal property is exempt up to \$25,000 of its assessed value.¹⁶ There is an exemption for real property dedicated in perpetuity for conservation purposes.¹⁷ In November 2010, voters approved a constitutional amendment that adds an additional exemption for military personnel deployed on active duty outside of the United States in support of military operations designated by the Legislature.¹⁸

Taxable Value

The taxable value of real and tangible personal property is the assessed value minus any exemptions provided by the Florida Constitution or by Florida Statutes.

Proposed Changes

The bill implements the constitutional amendments contained in CS/HJR 381. Substantive provisions of the bill become effective upon approval of those amendments by the voters. The bill provides contingent language to become effective, whether voted on and approved with the 2012 presidential preference primary or the 2012 general election.

Provisions of CS/HJR 381 Implemented by this Bill

Upon voter approval, CS/HJR 381 will reduce from 10% to 3%, the annual limitation on growth in assessed value on certain non-homestead property. Additionally, CS/HJR 381 allows individuals that are entitled to a homestead exemption under s. 6(a), Art. VII, State Constitution and have not received a homestead exemption in the previous three years to receive an additional homestead exemption equal to 50% of the just value of the homestead property. The additional exemption will apply to all property taxes other than school district taxes. The amount of the exemption cannot exceed \$200,000. The additional exemption is reduced each succeeding year by the greater of 20% of the initial exemption or the Save Our Homes Benefit (the difference between just value and assessed value determined under SOH).

¹² Art. VII, section 3(a) of the Florida Constitution.

¹³ Art. VII, section 3(b) of the Florida Constitution.

¹⁴ Art. VII, section 3(c) of the Florida Constitution.

¹⁵ Art. VII, section 3(d) of the Florida Constitution.

¹⁶ Art. VII, section 3(e) of the Florida Constitution.

¹⁷ Art. VII, section 3(f) of the Florida Constitution.

¹⁸ Art. VII, section 3(g) of the Florida Constitution.

Non-Homestead Assessment Limitation

The bill amends ss. 193.1544 and 193.1555, F.S., to replace the current 10% annual limitation on growth in assessed value on certain non-homestead property, with a 3% limitation. The bill replaces the beginning year of the new growth limitation, depending on the election in which the voters approve CS/HJR 381. If approved by the voters with the 2012 presidential preference primary, this provision will take effect on January 1, 2012. If approved by the voters with the 2012 general election, this provision will take effect on January 1, 2013.

Additional Homestead Exemption for First Time Homesteaders

The bill creates s. 196.078, F.S., where it defines “first-time homesteader” as “a person who establishes the right to receive the homestead exemption provided in s. 196.031 within 1 year after purchasing the homestead property and who has not owned property in the previous 3 years to which the homestead exemption provided in s. 196.031(1)(a) applies.” The new section also sets forth the limitations and requirements of the new exemption as described in CS/HJR 381.

The bill provides a mechanism whereby a person claiming the first-time homesteader exemption must apply for the exemption with the property appraiser no later than March 1 of the year for which the exemption would apply on a form prescribed by the Department of Revenue.

The bill provides that in order for the exemption to be retained upon the addition of another person to the title to the property, the additional person must submit, not later than the subsequent March 1, a sworn statement attesting that he or she has not owned property that received the homestead exemption provided in s. 196.031, F.S., in the prior three years.

The bill specifies that ss. 196.131¹⁹ and 196.161²⁰, F.S. apply to the first-time homesteader exemption.

If approved by the voters with the 2012 presidential preference primary, these provisions will take effect on January 1, 2012, and shall be available for properties purchased on or after January 1, 2011. If approved by the voters with the 2012 general election, these provisions will take effect on January 1, 2013, and shall be available for properties purchased on or after January 1, 2012.

The bill authorizes the Department of Revenue to adopt emergency rules to implement the provisions of the bill.

B. SECTION DIRECTORY:

Section 1: Amends s. 193.1554(3), F.S., to reduce the annual growth in assessment limitation on non-homestead residential property from 10% to 3%, beginning in 2013 if voters approve the constitutional amendment contained in CS/HJR 381 with the general election in 2012.

Section 2: Amends s. 193.1554(3), F.S., to reduce the annual growth in assessment limitation on nonhomestead residential property from 10% to 3%, beginning in 2012 if voters approve the constitutional amendment contained in CS/HJR 381 with the presidential preference primary in 2012.

Section 3: Amends s. 193.1555, F.S., to reduce the annual growth in assessment limitation on certain nonresidential property from 10% to 3%, beginning in 2013 if voters approve the constitutional amendment contained in CS/HJR 381 with the general election in 2012.

Section 4: Amends s. 193.1555, F.S., to reduce the annual growth in assessment limitation on certain nonresidential property from 10% to 3%, beginning in 2012 if voters approve the

¹⁹ Section 196.131, F.S., relates to homestead exemption claims, including requiring the property appraiser to provide a receipt and providing penalties for persons knowingly and willfully giving false information for the purpose of claiming a homestead exemption.

²⁰ Section 196.161, F.S., provides provisions whereby the property appraiser, under certain circumstances, may place a tax lien on property where a person who was not entitled to a homestead exemption was granted a homestead exemption within the prior 10 years.

constitutional amendment contained in CS/HJR 381 with the presidential preference primary in 2012.

Section 5: Creates 196.078, F.S., creating an additional homestead exemption for first-time homesteaders, beginning in 2013 if voters approve the constitutional amendment contained in CS/HJR 381 with the general election in 2012.

Section 6: Creates 196.078, F.S., creating an additional homestead exemption for first-time homesteaders, beginning in 2012 if voters approve the constitutional amendment contained in CS/HJR 381 with the presidential preference primary in 2012.

Section 7: Authorizes the Department of Revenue to adopt emergency rules to implement the provisions of the bill.

Section 8: Provides effective dates.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None

2. Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

The Revenue Estimating Conference (REC) has estimated that the provisions of the constitutional amendment, as implemented by this bill beginning in 2012, will have a negative revenue impact on non-school property taxes of \$231.6 million in FY 2012-13, growing to \$1,271.9 million by FY 2015-16, **assuming current millage rates**.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Owners of existing non-homestead residential rental and commercial real property may experience property tax savings and will not see their taxes increase significantly in a single year due to the change in the assessment increase limitation from 10% to 3%. To the extent that local taxing authorities' budgets are not reduced, the tax burden on other properties will increase to offset these tax losses. New properties or properties that have changed ownership or undergone significant improvements will be assessed at just value, and will pay higher taxes than comparable properties that have not changed ownership or undergone significant improvements.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

None.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

The bill authorizes the Department of Revenue to adopt emergency rules to implement the provisions of this bill.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES