

STORAGE NAME: h0573a.fpr.doc

DATE: March 9, 2001

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
FISCAL POLICY & RESOURCES
ANALYSIS**

BILL #: HB 573

RELATING TO: Ad Valorem Taxation

SPONSOR(S): Representative(s) Gibson

TIED BILL(S): HJR 295

ORIGINATING COMMITTEE(S)/COUNCIL(S)/COMMITTEE(S) OF REFERENCE:

- (1) FISCAL POLICY & RESOURCES YEAS 12 NAYS 0
 - (2) LOCAL GOVERNMENT & VETERANS AFFAIRS
 - (3) COUNCIL FOR SMARTER GOVERNMENT
 - (4)
 - (5)
-

I. SUMMARY:

HB 573 is implementing language for HJR 295. HJR 295 would authorize the Legislature to permit counties to authorize a reduction in the assessed value of residential property where there has been an increase in the assessed value of that property, due to the construction or reconstruction of the property, in order to provide living quarters for the natural or adopted parents or grandparents of the owner, provided that at least one of said parents or grandparents is age 62 or older. The reduction in value is limited to the lesser of the following:

The increase in value resulting from the construction or reconstruction; or

Twenty percent of the total assessed value of the property as improved.

This bill will be effective on the effective date of the constitutional amendment it implements.

STORAGE NAME: h0573a.fpr.doc

DATE: March 9, 2001

PAGE: 2

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|---|-----------------------------|---|
| 1. <u>Less Government</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. <u>Lower Taxes</u> | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| 3. <u>Individual Freedom</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u> | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |

For any principle that received a "no" above, please explain:

B. PRESENT SITUATION:

Section 4, Article VII, of the Florida Constitution requires that all property be assessed at just value for ad valorem tax purposes. Just value has been interpreted to mean fair market value.

Agricultural land, land producing high water recharge to Florida's aquifers, and land used exclusively for non-commercial recreational purposes are exceptions that may be assessed solely on the basis of their character or use. Also, tangible personal property held for sale as stock in trade and livestock may be assessed at a specified percentage of its value or totally exempted.

In addition, effective January 1, 1994, subsection (c) of Section 4, Article VII, of the Florida Constitution provides a limitation to the extent that assessments for homesteads may be changed annually on January 1 of each year. Changes in assessment may not exceed the lower of 3 percent of the assessment for the prior year or the percent change in the Consumer Price Index.

Section 6, Article VII, of the Florida Constitution authorizes an exemption from ad valorem taxation for homestead property used by taxpayers as their permanent residence, as follows:

Subsection (a) provides a basic \$5,000 exemption to all qualified homeowners.

Subsection (b) prohibits the granting of more than one exemption to any one person or the granting of an exemption that is in excess of the total assessed value of the property.

Subsection (c) increases the exemption to \$25,000 for school district levies for all qualified homestead owners and to \$10,000 for all other ad valorem tax levies if the homestead owner has attained age 65 or is totally and permanently disabled and is not entitled to the exemption provided in subsection (d).

Subsection (d) increases the exemption to \$25,000 for non-school district levies. This subsection further provides that the increase is not applicable upon the effective date of any amendment to Article VII, Section 4 of the Florida Constitution that would authorize the assessment of homestead property at a specified percentage of its just value. A third provision of subsection (d) disallows the increased exemption in counties in which the tax roll has not been certified as in compliance with Section 4, Article VII, of the Florida Constitution.

Subsection (e) authorizes the Legislature to give ad valorem tax relief to renters.

Section 196.031, F.S., primarily implements homestead exemption, although other statutory sections provide specific procedures and conditions, e.g., procedures for application for the exemption (s. 196.011, F.S.), the extent of the exemption (s. 196.041, F.S.), and the effect of renting homestead property. Additionally, four sections of Chapter 196, F.S., provide for additional homestead exemptions as follows:

Section 196.075, F.S., provides counties and municipalities with the option of granting an additional \$25,000 exemption to persons 65 and older whose household income does not exceed \$20,000.

Section 196.081, F.S., exempts the homesteads of certain permanently and totally disabled veterans and surviving spouses of certain veterans;

Section 196.091, F.S., exempts the homesteads of disabled veterans confined to wheelchairs; and

Section 196.101, F.S., exempts the homestead of certain totally and permanently disabled persons.

Section 197.242, F.S., establishes the "Homestead Property Tax Deferral Act." Section 197.252, F.S., provides for deferral of ad valorem taxes for qualified individuals. Ad valorem tax deferral is available to any homeowner whose tax burden is greater than five percent of household income, and homeowners over 70 years of age whose tax burden is greater than three percent of household income. Social security income is not included in this calculation. Participation in the tax deferral plan varies by county.

C. EFFECT OF PROPOSED CHANGES:

This bill implements a proposed constitutional amendment which provides for a reduction in the assessed value of certain residential properties. The bill allows counties to provide a reduction in the assessed value of any residence where there has been an increase in the assessed value of that property due to the construction or reconstruction of the property in order to provide living quarters for the natural or adopted parents or grandparents of the owner, provided that at least one of said parents or grandparents is age 62 or older. The reduction in value is limited to the lesser of the following:

The increase in value resulting from the construction or reconstruction; or

Twenty percent of the total assessed value of the property as improved.

Implementation of this bill will be complicated. Property appraisers are required to assess the just or market value of every property which is deemed to be the price a willing buyer would pay a willing seller. If implemented, this amendment would require that property appraisers value not only the parcel as a whole, but also appraise the value of the improvements separately. This will be complicated because there is no separate market for improvements which the property appraiser could use for comparative purposes.

Moreover, in those cases where assessed and just value of the subject property are not identical before this provision takes affect, such as on homesteaded properties which are protected under the "Save our Homes" provisions, it is not entirely clear how the provisions will interact.

Finally, the bill provides no definition of an "adopted" parent or grandparent.

D. SECTION-BY-SECTION ANALYSIS:

N/A

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

N/A

2. Expenditures:

N/A

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

If this provision were implemented by all 67 counties, the fiscal impact to local governments is estimated at -4.5 million dollars.

2. Expenditures:

N/A

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

N/A

D. FISCAL COMMENTS:

This provision would shift the tax burden to other ad valorem taxpayers and could result in a tax increase for those other taxpayers as local governments seek to keep their revenues constant.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

N/A

B. REDUCTION OF REVENUE RAISING AUTHORITY:

N/A

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

N/A

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

N/A

STORAGE NAME: h0573a.fpr.doc

DATE: March 9, 2001

PAGE: 6

B. RULE-MAKING AUTHORITY:

N/A

C. OTHER COMMENTS:

N/A

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

N/A

VII. SIGNATURES:

COMMITTEE ON FISCAL POLICY & RESOURCES:

Prepared by:

Staff Director:

Kama Monroe

Greg Turbeville