

# 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.)

BILL: CS/SB 162

SPONSOR: Comprehensive Planning, Local and Military Affairs Committee and Senator Brown-Waite, and others

SUBJECT: Ad valorem taxation

DATE: March 13, 2001      REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Bowman	Yeatman	CA	Favorable/CS
2.	_____	_____	FT	_____
3.	_____	_____	RC	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

**I. Summary:**

The CS contains implementing language for SJR 160. The bill authorizes the Legislature to create a local option for counties to implement a reduction in the assessed value of homestead property where there has been an increase in the assessed value of that property, due to the construction or reconstruction of existing homestead 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 value of the qualifying improvements cannot exceed the lesser of the following: the increase in assessed value resulting from construction or reconstruction of the property; or twenty percent of the total assessed value of the property as improved.

The CS would take effect upon the effective date of the amendment proposed by SJR 160, allowing counties to provide for a reduction in assessed value of living quarters constructed for a property owners' parents or grandparents.

This CS creates s. 193.703, Florida Statutes.

**II. 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.

Paragraph (c) of Section 4 provides that all persons entitled to a homestead exemption under Section 6 of Article VII of the State Constitution must have their homestead assessed at just value as of January 1 of the year following the effective date of the constitutional amendment creating the section, or as of January 1 of the year following establishment of the homestead. This provision is known as the “Save our Homes” constitutional amendment. For homestead property subject to the paragraph, assessments must be made annually on January 1st of each year, but shall not exceed the lower of the following: a) three percent of the assessment for the prior year; or b) the percent change in the Consumer Price Index. After a change in ownership or the establishment of a new homestead, such property shall be assessed at just value.

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.

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 the household income. Social security income is not included in this calculation. Participation in the tax deferral plan varies by county.

Pursuant to s. 193.155(4)(a), F.S., changes, additions or improvements to homestead property shall be assessed at just value as of the first January 1 after the changes, additions, or improvements are substantially completed. Under current law, if the property is a homestead limited by the Save Our Homes amendment, the additional value attributed to the improvement is put on the roll at just value and the cap separately applied to the existing home and the new construction in future years.

### **III. 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 bill does not define what constitutes an adopted parent or grandparent.

Subsection 2 provides that the reduction may be granted only to the owner of homestead property where the construction or reconstruction is consistent with local land-development regulations.

Subsection 3 limits the reduction in assessment to construction or reconstruction to an existing homestead that occurs after the effective date of the bill and applies only to taxable years during which at least one parent or grandparent over the age of 62 maintains his primary residence in such living quarters.

Subsection 4 requires the owner of the residential property claiming the reduction to apply for the reduction annually before March 1 of the year for which the reduction is to be granted. If the property appraiser approves the application, the value of the qualifying improvements shall not exceed the lesser of the following: the increase in assessed value resulting from construction or reconstruction of the property; or twenty percent of the total assessed value of the property as improved.

Subsection 5 provides a penalty for a residential property owner who falsely claims the reduction. In such cases, the reduction must be revoked and the owner is subject to a civil penalty of up to \$1,000, and the owner is disqualified from receiving the reduction authorized by the bill for a period of five year.

Subsection 6 provides that when the property owner no longer qualifies for the reduction in assessment attributable to the living quarters for parents or grandparents, the just value of such

improvements as of the first January 1 after the improvements were substantially completed shall be added back to the assessed value of the property.

The bill would take effect upon the effective date of the amendment proposed by SJR 160, allowing counties to provide for a reduction in assessed value of living quarters constructed for a property owners' parents or grandparents.

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

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

Because the reduction in assessment for living quarters for living quarters of parents or grandparents is subject to a county electing to implement the reduction, the bill does not qualify as imposing any mandates on local government.

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

None.

##### **C. Trust Funds Restrictions:**

None.

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

##### **A. Tax/Fee Issues:**

The Impact Conference of the Revenue Estimating Conference estimates that the statewide revenue impact of providing for the reduction in assessed value authorized by the constitutional amendment as \$4.5 million for fiscal year 2001-2 on an annualized basis. The tax impact estimate assumes that all counties opt to provide the reduction in assessment authorized by the constitutional amendment. Because the reduction applies only to construction after the effective date of the constitutional amendment, the full extent of the fiscal impact would occur many years in the future.

##### **B. Private Sector Impact:**

The bill may result in more individuals housing their elderly parents or grandparents within their homestead as an alternative to other arrangements, such as placing their parents or grandparents in an assisted living facility or nursing home.

##### **C. Government Sector Impact:**

County Property Appraisers may experience some increased administrative costs associated with the implementation of the reduction in assessment of homestead property for construction or reconstruction of living quarters for parents and grandparents.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Amendments:**

None.

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

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