

STORAGE NAME: h0165.lgva.doc
DATE: October 23, 2001

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
LOCAL GOVERNMENT & VETERANS AFFAIRS
ANALYSIS**

BILL #: HB 165
RELATING TO: Ad Val/Disabled Ex-Service
SPONSOR(S): Representative Paul and others
TIED BILL(S): None

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

- (1) LOCAL GOVERNMENT & VETERANS AFFAIRS
 - (2) FISCAL POLICY & RESOURCES
 - (3) COUNCIL FOR SMARTER GOVERNMENT
 - (4)
 - (5)
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I. SUMMARY:

This bill increases from \$500 to \$5,000 the property tax exemption for certain disabled ex-service members.

The bill has no fiscal impact on state government. The bill has a negative fiscal impact on local government. The bill reduces the revenue raising authority of counties and municipalities by a significant amount and appears to be subject to the requirement of Article VII, section 18(b) of the State Constitution, requiring a two-thirds vote of the membership of each house of the Legislature.

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:

This bill lowers taxes for those individuals who benefit from this exemption. However, to the extent that local governments decide to maintain their current level of revenue, this bill could result in higher tax rates and increased taxes for other taxpayers.

B. PRESENT SITUATION:

Ad Valorem Taxation/Background

Article VII, section 1, of the State Constitution preempts to the state all forms of taxation other than ad valorem taxes levied upon real estate and tangible personal property, except as provided by general law. Article VII, Section 9 of the Florida Constitution provides that counties, school districts, and municipalities shall, and special districts may, be authorized by law to levy ad valorem taxes, and limits these taxes to 10 mills for all county purposes, 10 mills for all municipal purposes, and 10 mills for all school purposes. Additional millage may be levied for the payment of bonds and taxes levied for a period not longer than two years when authorized by vote of the electors.

Exemption for Persons Who Are Disabled Ex-Service Members

Article VII, s. 3(b) of the State Constitution requires that not less than \$500 of property, as established in general law, of persons who are blind or totally and permanently disabled be exempt from taxation.

The exemption for totally and permanently disabled persons authorized in Article VII, s. 3(b) of the State Constitution, is implemented in chapter 196, F.S. Sections 196.081 and 196.091, F.S., provide for total homestead exemptions for disabled veterans who are honorably discharged with a service-connected total and permanent disability and their surviving spouses. Section 196.101, F.S., exempts the total value of homesteads used and owned by quadriplegics. In addition, subject to income limitations, the section exempts the total value of homesteads used and owned by paraplegics, hemiplegics, or “other totally and permanently disabled persons, as defined in s. 196.012(11), F.S., who must use a wheelchair for mobility or who is legally blind” Section 196.012(11), F.S, defines a “totally and permanently disabled person” as a person certified as totally and permanently disabled by two licensed physicians, by the U.S. Department of Veterans Affairs, or by the Social Security Administration.

Pursuant to s. 3(b), Art. VII of the State Constitution, section 196.202, F.S., provides a \$500 reduction in taxable value to every widow, widower, blind person, or totally and permanently

disabled person who is a bona fide resident of this state. Section 196.24, F. S., provides that any resident, ex-service member who has been disabled to a degree of 10 percent or more while serving during a period of wartime service or by misfortune is entitled to the exemption from taxation provided in s. 3(b), Art. VII of the State Constitution. To qualify, the applicant must produce a certificate of disability from the United States Government or the United States Department of Veterans Affairs.

C. EFFECT OF PROPOSED CHANGES:

The bill increases from \$500 to \$5,000 the reduction in taxable value to any resident, ex-service member, who has been disabled to a degree of 10 percent or more while serving during a period of wartime service or by misfortune.

D. SECTION-BY-SECTION ANALYSIS:

Section 1: Amends section 196.24, F.S., relating to evidence of disability of ex-service member; exemption, to increase from \$500 to \$5,000 the reduction in taxable value to any resident, ex-service member who has been disabled to a degree of 10 percent or more while serving during a period of wartime service or by misfortune.

Section 2: Provides that the bill will take effect January 1, 2003.

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:

This bill may have a negative fiscal impact on local governments. The Impact Conference has not reviewed HB 165, however the Impact Conference reviewed SB 1032/HB 1039 from the 2001 Legislative Session which is identical to SB 136/HB 165 and estimated an impact of \$9.0 million dollars.

2. Expenditures:

N/A

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

If enacted into law, qualified ex-service members will benefit from reduced ad valorem taxes. This reduction in the property tax base will result in a corresponding shift in property tax burden to other property owners.

D. FISCAL COMMENTS:

The 2001 Impact Conference based its analysis on the following assumptions:

There are 63,302 veterans currently receiving the exemption.

There are 1.65 million veterans in Florida.

Nationwide, approximately 9% of veterans have a 10% or greater disability.

Based on these figures, it is estimated that there are about 150,000 veterans in Florida with a 10% or greater disability.

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

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to expend funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill appears to require a two-thirds vote of the membership of each house of the Legislature. Pursuant to subsection (b) of section 18 of Article VII, Florida Constitution, a general law, reducing the authority that municipalities and counties had on February 1, 1989, to raise revenues in the aggregate, must be passed by that margin of votes. By increasing the reduction in taxable value from \$500 to \$5,000 for qualified ex-service members, the bill reduces municipalities' and counties property tax base, thereby reducing their revenue-raising authority. Therefore, the measure requires a two-thirds vote of the membership of each house of the Legislature.

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

This bill does not reduce the total aggregate percent of state tax shared with counties or municipalities.

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

N/A

B. RULE-MAKING AUTHORITY:

N/A

C. OTHER COMMENTS:

HB 165 is identical to HB 1039 which was heard in the 2001 Legislative Session and subsequently died in the Senate Committee on Comprehensive Planning, Local and Military Affairs.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

None

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VII. SIGNATURES:

COMMITTEE ON LOCAL GOVERNMENT & VETERANS AFFAIRS:

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