

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:

The bill qualifies the conditions under which the reduction in assessed value attributable to the construction or reconstruction of property to provide housing for parents and grandparents or adoptive parents and grandparents as follows:

- The reduction may be granted to the owner of the homestead only where the construction or reconstruction is consistent with local land-development regulations.
- The reduction applies only to construction or reconstruction that occurred after the effective date of the bill to an existing homestead.
- The reduction only applies during taxable years during which at least one parent or grandparent maintains his primary place of residence in the “granny flat” within the homestead property of the owner.
- The owner must annually file an application with the county property appraiser before March 1 of the year for which the reduction is to be granted.

The value of assessed value to be excluded may not exceed the lesser of :

- 1) The increase in assessed value resulting from the construction or reconstruction of the property; or
- 2) Twenty percent of the total assessed value of the property as improved.

If the homestead owner that applies for the reduction is found to have made any willfully false statement in their application for the reduction, they are subject to a civil penalty of not more than \$1,000, the revocation of the reduction, and disqualification from receiving the reduction for a period of five years.

When the homestead property owner no longer qualifies for the reduction in assessed value for living quarters of parents or grandparents, the previously excluded just value of the improvements as of the first January 1 after the improvements were substantially completed must be added back to the assessed value of the property. This language is intended to place back on the tax rolls the previously excluded value of the improvements as would have been in place without the exemption.

IV. Constitutional Issues:**A. Municipality/County Mandates Restrictions:**

None.

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 estimates that the statewide impact of providing for the reduction in assessed value authorized by the constitutional amendment for fiscal year 2002-03 as 4.5 million dollars.

In making this estimate, the Impact Conference assumed that family composition data for the United States as a whole generally applied to Florida, and that the county option for implementing the reduction applied to all ad valorem taxes levied within the county, not just those levied by the county government. In addition, the bill requires that when the property no longer qualifies for the exemption, the previously excluded just value of the improvements as of the first January 1 after the improvements were substantially complete is to be added back to the just value of the property. Because this value, in most cases, will be less than the comparable value if the improvement had been placed on the roll from the beginning, there will be an additional revenue impact until the property is or sold or no longer qualifies as homestead property.

B. Private Sector Impact:

This 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:

The Division of Elections would incur the nominal cost of advertising the proposed constitutional amendment twice in a newspaper of general circulation in each county prior to the 2002 general election.

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

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.

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