

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: CS/HJR 1003 Tangible Personal Property Tax Exemptions

SPONSOR(S): Eisnaugle

TIED BILLS: HB 1005 **IDEN./SIM. BILLS:**

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Finance & Tax Committee	18 Y, 5 N	Aldridge	Langston
2) Economic Affairs Committee	17 Y, 0 N, As CS	Fennell	Tinker

SUMMARY ANALYSIS

Currently, the Florida Constitution allows for a twenty-five thousand dollar exemption from ad valorem taxes on the assessed value of tangible personal property. The joint resolution proposes an amendment to the Florida Constitution that would provide an additional exemption from ad valorem taxes on tangible personal property valued between twenty-five thousand and fifty thousand dollars.

In addition, the joint resolution would allow any county or municipality to provide an additional exemption from ad valorem taxes or other ad valorem tax relief on tangible personal property. This provision must be implemented by general law. The joint resolution requires that the additional exemption or tax relief can only be granted by ordinance of the county or municipality, and therefore precludes the legislature from requiring a local referendum.

The revenue estimating conference has not adopted an estimate on the amended HJR 1003. However, HB 1005 includes similar exemptions to ad valorem taxes on tangible personal property and was reviewed by the revenue estimating conference on January 6, 2012. The consensus estimate for HB 1005 determined the statewide impact would be annual reductions in local government revenues of \$20.1 million beginning in fiscal year 2013-14, increasing to \$20.3 million in fiscal year 2014-15, and \$20.6 million in fiscal year 2015-16. This impact would not include any additional exemptions or tax relief approved by a county or municipality.

The Department of State estimates that the cost of publishing the proposed constitutional amendment, as required by law, is \$108,475.

For the proposed amendment to be placed on the ballot at the general election in November 2012, the Legislature must approve the joint resolution by a three-fifths vote of the membership of each house.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Current Situation

Tangible Personal Property

Article VII, section 1, of the Florida Constitution grants exclusive authority to local governments to levy ad valorem taxes, including ad valorem taxes on tangible personal property, and establishes requirements that the state legislature and local governments must follow when levying and administering ad valorem property taxes. It requires that all ad valorem taxation be at a uniform rate within each taxing district and that property must be assessed at just value unless the Constitution provides for a different assessment standard.

Tangible personal property is singled out for special treatment in the Constitution. Motor vehicles, boats, airplanes, trailers, trailer coaches and mobile homes are excluded from ad valorem taxation.¹ Household goods up to \$1,000 in value are exempt.² Tangible personal property held for sale as stock in trade and livestock may be valued for taxation at a specified percentage of its value, classified for tax purposes, or exempted by general law.³ Tangible personal property not specifically exempt from taxation is subject to ad valorem taxation.

Article VII, section 3(e), Florida Constitution, provides for a \$25,000 exemption from the assessed value of tangible personal property subject to ad valorem taxation.

Based on the statewide aggregate average 2011 millage rate of 17.67, ad valorem taxes on the tangible personal property included on the 2011 tax roll are expected to amount to \$1.72 billion.

Proposed Changes

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B. SECTION DIRECTORY:

Not applicable to joint resolutions.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

¹ Article VII, section 1(b), Florida Constitution

² Article VII, section 3(b), Florida Constitution

³ Article VII, section 4(b), Florida Constitution

2. Expenditures:

Article XI, section 5(d) of the Florida Constitution, requires proposed amendments or constitutional revisions to be published in a newspaper of general circulation in each county where a newspaper is published. The amendment or revision must be published once in the 10th week and again in the sixth week immediately preceding the week the election is held. The Division of Elections within the Department of State estimated that the full publication costs for advertising the proposed amendment to be \$108,475.⁴

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

The Revenue Estimating Conference adopted a negative indeterminate revenue impact from the joint resolution because the amendment it proposes must be approved by the voters and the legislature must implement the amendment.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

If the amendment proposed by the joint resolution is approved by the voters, and the legislature implements the provisions contained in the amendment, certain persons owing ad valorem tax on tangible personal property could see a reduction in their taxes.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not applicable to joint resolutions.

2. Other:

The Legislature may propose amendments to the state constitution by joint resolution approved by three-fifths of the membership of each house.⁵ The amendment must be submitted to the electors at the next general election more than 90 days after the proposal has been filed with the Secretary of State's office, unless pursuant to law enacted by the a three-fourths vote of the membership of each house, and limited to a single amendment or revision, it is submitted at an earlier special election held more than ninety days after such filing.⁶

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

⁴ Department of State, *House Joint Resolution 1003 (2012) Fiscal Analysis* (December 21, 2011).

⁵ Art. XI, section 1 of the Florida Constitution.

⁶ Art. XI, section 5 of the Florida Constitution.

V. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES

On February 17, 2012, the Economic Affairs Committee approved a strike-all amendment for HJR 1003. The amendment removed provisions requiring the legislature to implement any additional exemptions on ad valorem taxes for tangible personal property. Instead, the strike-all amendment would include in the Florida Constitution an additional exemption from ad valorem taxes on tangible personal property valued between twenty-five thousand and fifty thousand dollars. In addition, the strike-all amendment provides that any county or municipality may adopt an additional exemption from ad valorem taxes or other ad valorem tax relief on tangible personal property through an ordinance.

This analysis has been updated to reflect the above changes.