

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Committee on Appropriations

BILL: CS/HB 7019

INTRODUCER: House State Affairs Committee; House Ways & Means Committee; and Representative Buchanan and others

SUBJECT: Exemption of Homesteads

DATE: February 21, 2024 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Shuler</u>	<u>Sadberry</u>	<u>AP</u>	<u>Favorable</u>

I. Summary:

The Florida Constitution requires all property to be assessed at just value (fair market value) as of January 1 of each year for purposes of ad valorem taxation. Ad valorem assessments are used to calculate property taxes that fund counties, municipalities, district school boards, and special districts. The taxable value against which local governments levy tax rates each year reflects the just value as reduced by any applicable exemptions allowed by the Florida Constitution. One such exemption is on the assessed value between \$50,000 and \$75,000, which is exempt from all taxes other than school district taxes.

Fiscally constrained counties are counties entirely within a rural area of opportunity or where a 1 mill levy would raise no more than \$5 million in annual tax revenue. The Legislature annually appropriates money to fiscally constrained counties to offset ad valorem tax revenue reductions caused by various amendments to the Florida Constitution provided certain requirements are met. Florida's fiscally constrained counties are Baker, Bradford, Calhoun, Columbia, Desoto, Dixie, Franklin, Gadsden, Gilchrist, Glades, Gulf, Hamilton, Hardee, Hendry, Highlands, Holmes, Jackson, Jefferson, Lafayette, Levy, Liberty, Madison, Okeechobee, Putnam, Suwannee, Taylor, Union, Wakulla, and Washington.

The bill implements an amendment to Article VII, Section 6 of the Florida Constitution proposed by CS/HJR 7017 (2024) by making conforming statutory changes. If CS/HJR 7017 is approved by the voters, this bill amends current law to add an annual positive inflation adjustment to the current exemption on the assessed value for all levies other than school district levies of \$50,000 up to \$75,000. The inflation adjustment will begin on January 1, 2025.

The bill also directs the Legislature to appropriate funds to offset reductions in ad valorem tax revenue experienced by fiscally constrained counties as a result of the annual positive inflation adjustment. To receive the offset, a qualifying county must annually apply to the Department of Revenue and provide certain documentation.

The Revenue Estimating Conference (REC) has not yet adopted an estimate for CS/HB 7019. However, the REC determined as part of the analysis for HJR 7017 that the revenue losses for fiscally constrained counties resulting from the inflation adjustment provision would be \$0.7 million in Fiscal Year (FY) 2025-26, growing to approximately \$4.3 million in FY 2028-29. The REC estimated that the originally filed version of HB 7019 had no impact on local government revenues because the constitutional amendment that the bill would have implemented was self-executing. Therefore, revenue impacts would have resulted from approval of the constitutional amendment, not the implementing legislation.

This bill takes effect on January 1, 2025, if the amendment to the State Constitution proposed by CS/HJR 7017 is approved by the voters at the 2024 general election or at an earlier special election.

II. Present Situation:

Ad Valorem Taxes

The Florida Constitution reserves ad valorem taxation to local governments and prohibits the state from levying ad valorem taxes on real and tangible personal property.¹ Ad valorem taxes are annual taxes levied by counties, municipalities, school districts, and certain special districts. These taxes are based on the just value (fair market value) of real and tangible property as determined by county property appraisers on January 1 of each year.² The just value may be subject to limitations, such as the “Save Our Homes” limitation on homestead property assessment increases.³ The value arrived at after accounting for applicable limitations is known as the assessed value. Property appraisers then calculate the taxable value by reducing the assessed value in accordance with any applicable exemptions, such as the exemptions for homestead property.⁴ Each year, local governing boards levy millage rates (i.e. tax rates) on the taxable value to generate the property tax revenue contemplated in their annual budgets.

Homestead Exemptions

Certain homestead exemptions are specified in Article VII, Section 6 of the Florida Constitution, which provides that every person who holds legal or equitable title to real estate and uses said real estate as a permanent residence for themselves, or a legal or natural dependent, is entitled to an exemption from taxes on the first \$25,000 in assessed value.⁵ In 2008, Florida voters amended this provision to include an additional \$25,000 exemption from all taxes other than school district taxes on the assessed value greater than \$50,000.⁶ The constitution also vests the legislature with authority to enact general law establishing the manner in which individuals qualify for an exemption. Accordingly, s. 196.031(1)(b), F.S., automatically grants the additional, non-school homestead exemption, on the assessed value greater than \$50,000 to every

¹ FLA. CONST. art. VII, s. 1(a).

² FLA. CONST. art. VII, s. 4.

³ *See generally* s. 193.155, F.S.

⁴ Section 196.031, F.S.

⁵ FLA. CONST. art. VII s. 6.

⁶ *Id.*

individual who qualifies for the initial homestead exemption on the first \$25,000 of the assessed value.

Fiscally Constrained Counties

Fiscally constrained counties are counties entirely within a rural area of opportunity or where a 1 mill levy would raise no more than \$5 million in annual tax revenue.⁷ A “rural area of opportunity” is a rural community or a region, as designated by the Governor, that has been adversely affected by an extraordinary economic event, a severe or chronic distress, or a natural disaster or that presents a unique economic development opportunity of regional impact.⁸

Florida’s fiscally constrained counties are Baker, Bradford, Calhoun, Columbia, Desoto, Dixie, Franklin, Gadsden, Gilchrist, Glades, Gulf, Hamilton, Hardee, Hendry, Highlands, Holmes, Jackson, Jefferson, Lafayette, Levy, Liberty, Madison, Okeechobee, Putnam, Suwannee, Taylor, Union, Wakulla, and Washington.⁹

The Legislature annually appropriates money to fiscally constrained counties to offset ad valorem tax revenue reductions caused by various amendments to the Florida Constitution.¹⁰ In order to receive an offset distribution, fiscally constrained counties must annually provide the Department of Revenue with an estimate of the expected reduction in ad valorem tax revenues that are directly attributable to specified revisions of Article VII of the Florida Constitution.¹¹ This prevents such amendments related to property tax from negatively affecting fiscally constrained county tax revenues.

CS/HJR 7017 (2024)

CS/HJR 7017 proposes an amendment to the Florida Constitution requiring the existing \$25,000 assessed value amount, which is exempt from all ad valorem taxes other than school district taxes, be adjusted annually for positive inflation growth. This inflation adjustment would also apply to any future homestead exemption added to the Florida Constitution applying only to ad valorem taxes other than school district taxes, and would begin on January 1, 2025.

III. Effect of Proposed Changes:

This bill implements an amendment to Art. VII, s. 6 of the Florida Constitution, proposed in CS/HJR 7017, by making conforming statutory changes. If CS/HJR 7017 is approved by the voters, this bill amends s. 196.031, F.S., to add an annual positive inflation adjustment to the current exemption on the assessed value for all levies other than school district levies of \$50,000 up to \$75,000. The inflation adjustment will begin on January 1, 2025.

⁷ Section 218.67(1), F.S.

⁸ Section 288.0656, F.S.

⁹ Florida Department of Revenue, *Fiscally Constrained Counties*, available at https://www.floridarevenue.com/property/Documents/fcc_map.pdf (last visited Feb. 17, 2024).

¹⁰ See ss. 218.12, 218.125, and 218.135, F.S.

¹¹ Sections 218.12(2), 218.125(2), and 218.135(2), F.S.

The bill creates s. 218.136, F.S., requiring the Legislature to appropriate funds to offset reductions in ad valorem tax revenue experienced by fiscally constrained counties as a result of the annual positive inflation adjustment. To receive the offset, a qualifying county must annually apply to the Department of Revenue and provide documentation regarding the county's estimated reduction in ad valorem tax revenue. If a fiscally constrained county fails to apply for the distribution, its share reverts to the fund from which the appropriation was made.

The bill provides emergency rulemaking authority to the Department of Revenue to administer the provisions of the act.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

Article VII, s. 18(b) of the Florida Constitution provides that except upon the approval of each house of the Legislature by a two-thirds vote of the membership, the Legislature may not enact, amend, or repeal any general law if the anticipated effect of doing so would be to reduce the authority that municipalities or counties have to raise revenue in the aggregate, as such authority existed on February 1, 1989. The mandate requirement does not apply to laws having an insignificant impact, which for Fiscal Year 2024-2025 is forecast at approximately \$2.3 million.

The Revenue Estimating Conference has not reviewed the bill at this time. However, the REC estimated that the originally filed version of HB 7019 had no impact on local government revenues because the constitutional amendment that the bill would have implemented was self-executing. Therefore, revenue impacts would have resulted from approval of the constitutional amendment, not the implementing legislation.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

D. State Tax or Fee Increases:

Article VII, s. 19 of the Florida Constitution requires that legislation that increases or creates taxes or fees be passed by a 2/3 vote of each chamber in a bill with no other subject. The bill does not increase or create new taxes or fees. Thus, the constitutional requirements related to new or increased taxes or fees do not apply.

E. Other Constitutional Issues:

None identified.

V. Fiscal Impact Statement:**A. Tax/Fee Issues:**

The Revenue Estimating Conference has not yet reviewed this bill.

B. Private Sector Impact:

Homeowners receiving the tax exemption will benefit from the increased exemption value.

C. Government Sector Impact:

The bill will offset negative impacts to the tax revenues for fiscally constrained counties.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Statutes Affected:

The bill amends section 196.031 of the Florida Statutes.

The bill creates section 218.136 of the Florida Statutes.

IX. Additional Information:**A. Committee Substitute – Statement of Changes:**

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

B. Amendments:

None.