

STORAGE NAME: h0157a.ft

DATE: March 10, 1997

**HOUSE OF REPRESENTATIVES
AS REVISED BY THE COMMITTEE ON
FINANCE AND TAXATION
BILL ANALYSIS & ECONOMIC IMPACT STATEMENT**

BILL #: HB 157

RELATING TO: Ad Valorem Taxes (Exemption for Surviving Spouse of Veteran)

SPONSOR(S): Representatives Fischer and Wiles

STATUTE(S) AFFECTED: Section 196.081, F.S.

COMPANION BILL(S): SB 0014 (i)

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

- (1) COMMUNITY AFFAIRS YEAS 7 NAYS 0
- (2) FINANCE AND TAXATION YEAS 14 NAYS 0
- (3)
- (4)
- (5)

I. SUMMARY:

This bill provides an additional circumstance under which the surviving spouse of a veteran may claim an exemption from ad valorem tax. The exemption applies to real estate owned and used as a homestead by the surviving spouse of a veteran killed while on active duty as a member of the United States Armed Forces. The bill provides procedures for claiming the exemption and allows the exemption to carry over to the benefit of the surviving spouse under certain circumstances. The exemption may also carry over to property purchased by the surviving spouse provided the property is used as his or her primary residence and he or she does not remarry.

This bill does not impact state funds. The negative fiscal impact on local governments is estimated to be (\$ 0.2 million) annualized.

II. SUBSTANTIVE ANALYSIS:

A. PRESENT SITUATION:

Section 196.081, Florida Statutes, provides an exemption from taxation on any real estate owned and used as a homestead by an honorably discharged veteran with a *service-connected total and permanent disability*. In order to receive such exemption, the United States Government or the United States Department of Veterans Affairs must certify that the veteran is totally and permanently disabled. The veteran must be a permanent resident of the state on January 1 of the tax year for which the exemption is being claimed or, *in the event of the veteran's death*, on January 1 of the year the veteran died.

A certification letter attesting the veteran's service-connected total and permanent disability must be obtained by either the veteran, the spouse, or the surviving spouse of a veteran who predeceases the spouse and is prima facie evidence of entitlement to the exemption. This certification letter is to be presented to the Property Appraiser of the county in which the property is located.

The exemption carries over to benefit the veteran's spouse in the event the totally and permanently disabled veteran dies. However, the spouse must hold legal or beneficial title to the homestead and permanently reside on the property. Once the spouse remarries or sells or disposes of the property, the spouse is no longer entitled to the exemption. If the spouse sells the property and buys another property, the exemption may be transferred to the new residence. However the amount of the exemption to be transferred is not to exceed the amount granted from the most recent ad valorem tax roll. The spouse must maintain the new residence as his or her primary residence and must remain unmarried.

B. EFFECT OF PROPOSED CHANGES:

This bill provides an additional circumstance under which the surviving spouse of a veteran may claim an exemption from ad valorem tax. The exemption applies to real estate owned and used as a homestead by the surviving spouse of a veteran *killed while on active duty as a member of the United States Armed Forces*. A letter certifying the death while on active duty as a member of the United States Armed Forces must be obtained from the United States Government or the United States Department of Veterans Affairs. The bill also requires that the veteran must have been a permanent resident of this state on January 1 of the year of the veteran's death.

The certification letter serves as prima facie evidence that the surviving spouse is entitled to the ad valorem tax exemption. The tax exemption carries over to the spouse as long as the spouse holds the legal or beneficial title to the homestead, permanently resides on the property and does not remarry. If the spouse sells the property, the exemption may be transferred to the new residence. However the amount of the exemption to be transferred is not to exceed the amount granted from the most recent ad valorem tax roll. In order to remain qualified for the exemption, the spouse must maintain the new residence as his or her primary residence and must remain unmarried.

C. APPLICATION OF PRINCIPLES:

1. Less Government:

Not applicable.

2. Lower Taxes:

This bill decreases taxes for surviving spouses of veterans who die while on active duty in the service of the United States Armed Forces.

3. Personal Responsibility

This bill does not affect personal responsibility.

4. Individual Freedom:

This bill increases options of individuals to the extent that those qualified spouses of veterans are exempt from ad valorem taxation. The bill also allows the exemption to carry over to a new residence under certain circumstances.

5. Family Empowerment:

This bill may affect family empowerment by providing affordable alternatives to maintaining a homestead after the death of a spouse.

D. SECTION-BY-SECTION ANALYSIS:

Section 1 -- Amends s. 196.081, F. S., to allow ad valorem tax exemption to the spouse of a veteran killed while on active duty with the United States Armed Forces; provides residency requirements to qualify; provides that a letter certifying the veteran's death serves as prima facie evidence of the surviving spouse's entitlement to the exemption; provides that the exemption may carry over to benefit the surviving spouse in a new residence under certain conditions.

Section 2 -- Provides an effective date of January 1, 1998.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

This bill does not impact state agencies or state funds.

2. Recurring Effects:

This bill does not impact state agencies or state funds.

3. Long Run Effects Other Than Normal Growth:

Not applicable.

4. Total Revenues and Expenditures:

Not applicable.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

None.

2. Recurring Effects:

Based on information supplied by the Florida Department of Veterans Affairs and the United States Department of Defense, 98 Florida residents annually perish while on active duty with the United States Military. Approximately 59% are married. Of that percent, because of housing provided by the military and military supplied housing allowances, it is estimated that approximately 29 persons could qualify.

Using an average taxable value of a homestead of \$54,000 and an aggregate millage rate of 21.86 mills, the annualized tax loss to local governments is (\$0.2 million). Yearly losses for the first 5 years are listed below:

\$ 34,200 year 1
\$ 68,400 year 2
\$102,600 year 3
\$136,800 year 4; and
\$171,000 year 5

3. Long Run Effects Other Than Normal Growth:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

None.

2. Direct Private Sector Benefits:

A benefit will accrue to the extent a qualifying spouse receives an ad valorem tax exemption.

3. Effects on Competition, Private Enterprise and Employment Markets:

None.

D. FISCAL COMMENTS:

None.

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 spend funds or to take an action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

The bill reduces the authority of municipalities and counties to raise revenue: however, the fiscal impact is estimated to be less than \$1.4 million, and, therefore, the bill is exempt from the provisions of Section 18, Article VII of the Florida Constitution.

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

This bill does not reduce the percentage of a state tax shared with counties or municipalities.

V. COMMENTS:

The Florida League of Cities opposes this bill on the basis that it proliferates ad valorem tax exemptions and reduces local governments' revenue. The Florida Association of Counties also opposes the bill.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

The Community Affairs Committee adopted an amendment on January 29, 1997 adding language that ensures the veteran died of *service-connected causes* in order for the spouse to obtain this exemption.

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VII. SIGNATURES:

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