

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

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

Date: April 2, 1998 Revised: _____

Subject: Ad Valorem Taxation

	<u>Analyst</u>	<u>Staff Director</u>	<u>Reference</u>	<u>Action</u>
1.	<u>Cooper</u>	<u>Yeatman</u>	<u>CA</u>	<u>Favorable</u>
2.	<u>_____</u>	<u>_____</u>	<u>WM</u>	<u>_____</u>
3.	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>
4.	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>
5.	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>

I. Summary:

Senate Bill 1954 allows a partial abatement of ad valorem taxes for residential property destroyed or damaged by a tornado.

This bill creates a new section of Florida law.

II. Present Situation:

All real and tangible personal property which is substantially complete or acquired is assessed for ad valorem purposes on January 1 of each year. Property owners are billed for taxes in November of that year, and have until April of the following year to pay. If structures on the property are damaged by a natural or manmade disaster, the assessed value of the property remains as it was established on January 1 of that year. The property is reassessed the following January 1, with changes to the property as an essential consideration in the reassessment. There is currently no mechanism for property tax abatement or rebate on property damaged by natural or manmade disaster.

However, chapter 88-101, Laws of Florida, provided for property tax abatement for residential buildings and structures damaged by tornadoes or windstorms during tax years 1988 and 1989. Chapter 85-322, Laws of Florida, also provided for property tax abatement of residential buildings and structures damaged by fire during tax years 1985 and 1986.

On February 3, 22 and 23, 1998, a number of tornadoes caused extensive damage to property in seven counties in South and Central Florida. As a result, many residences became and continue to be uninhabitable. The Department of Community Affairs estimates that 4,755 houses, apartments, and mobile homes were damaged or destroyed in these two storms. In Osceola County, the

property appraiser indicates that 1060 residences were damaged or destroyed during the February 22-23 tornadoes, resulting in \$11.3 million in property value losses.

III. Effect of Proposed Changes:

Senate Bill 1954 creates a process for obtaining a partial abatement of ad valorem taxes for a residential building damaged or destroyed by a tornado.

To qualify for the tax abatement, the building must be incapable of being used and occupied. Property owners must file an application with the property appraiser before March 1, following the year in which the destruction or damage occurred. The property appraiser must determine whether the property is eligible for a partial abatement, and submit an official written statement to the tax collector with the following information:

- The number of months the building was not capable of use and occupancy;
- The value of the building or structure before the damage or destruction;
- The total taxes due on building or structure, based on the ratio that the number of months of loss of use and occupancy bears to 12; and
- The amount of reduction in taxes.

The tax collector is then responsible for reducing the taxes on the property on the tax roll to the amount specified by the property appraiser. By May 1, the tax collector must notify the Board of County Commissioners and the Department of Revenue of the total reduction in taxes resulting from the partial abatement of taxes granted in the county.

“Loss of use and occupancy” is defined to mean that the building or structure, or some self-sufficient unit within it, cannot be used for the purpose for which it was constructed during a period of 60 days or more. The bill specifies that “house or other residential building or structure” does not include amenities not essential to use and occupancy, such as detached utility buildings, bulkheads, fences, detached carports, swimming pools, or other similar items or property.

Subsection (2) provides that this section expires July 1, 1999.

The bill provides an effective date upon becoming a law.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

This bill initially falls under subsection (b) of s. 18, Art. VII, State Constitution. Subsection (b) requires a two-thirds vote of the membership of each house in order to enact a general law reducing the authority that municipalities and counties had on February 1, 1989, to raise revenues in the aggregate. By providing for a partial abatement of taxes on certain destroyed properties, the bill also has the effect of reducing ad valorem taxes. However, since the

annual local revenue loss is estimated to be less than \$1.4 million, the bill is exempt from the requirements of subsection (b) due to insignificant fiscal impact. See subsection (d), s. 18, Art. VII, providing exemptions from all requirements of section 18 for various types of general laws, including those with insignificant fiscal impact.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

Owners of residential structures made uninhabitable by a tornado may be eligible to receive partial property tax abatement on their property.

C. Government Sector Impact:

County property appraisers would be responsible for processing applications for partial tax abatements and issuing tax certificates to the tax collector. Tax collectors would be responsible for abating taxes on these properties. While the bill does not specify where the abated taxes would come from, it is presumed that funds would come from those taxing authorities which levy the tax.

VI. Technical Deficiencies:

None.

VII. Related Issues:

The bill does not specify how these property tax abatements are to be funded. There is no appropriation of general revenue or creation of a specific trust fund to finance this program. If the various property taxing authorities - which include counties, cities, school boards, and special districts - are responsible for funding these tax abatements, they would either have to cut their budgets or increase property taxes in the following fiscal year to cover their financial losses.

It is estimated that a substantial portion of residential property owners pay property taxes through escrow accounts.

If structures on properties have not been repaired or replaced by January 1 of the year following the damage or destruction, the assessed value of the property will likely be reduced to reflect the condition of the property. This will result in significantly lower tax bills for many property owners.

VIII. Amendments:

None.

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