

**STORAGE NAME:** h4261.ca

**DATE:** April 9, 1998

**HOUSE OF REPRESENTATIVES  
COMMITTEE ON  
COMMUNITY AFFAIRS  
BILL RESEARCH & ECONOMIC IMPACT STATEMENT**

**BILL #:** HB 4261

**RELATING TO:** Ad Valorem/Tornado Damaged Property

**SPONSOR(S):** Representative Bronson

**COMPANION BILL(S):** SB 1954 (i)

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

- (1) COMMUNITY AFFAIRS
  - (2) FINANCE & TAXATION
  - (3)
  - (4)
  - (5)
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I. SUMMARY:

This bill allows a partial abatement of ad valorem taxes for residential property destroyed or damaged by a tornado. The bill establishes a procedure for obtaining such partial abatements.

II. SUBSTANTIVE RESEARCH:

A. 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.

B. EFFECT OF PROPOSED CHANGES:

This bill 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.

**C. APPLICATION OF PRINCIPLES:**

1. Less Government:

a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

No.

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

Yes. The bill requires county property appraisers to process applications for partial tax abatements from residential owners whose property has been destroyed or damaged by a tornado.

(3) any entitlement to a government service or benefit?

No.

b. If an agency or program is eliminated or reduced:

(1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

N/A

(2) what is the cost of such responsibility at the new level/agency?

N/A

(3) how is the new agency accountable to the people governed?

N/A

2. Lower Taxes:

- a. Does the bill increase anyone's taxes?

No.

- b. Does the bill require or authorize an increase in any fees?

No.

- c. Does the bill reduce total taxes, both rates and revenues?

Yes. The bill fails to provide how the tax abatements will be funded. By providing for a partial abatement of taxes on certain destroyed properties, the bill also has the effect of reducing ad valorem taxes.

- d. Does the bill reduce total fees, both rates and revenues?

N/A

- e. Does the bill authorize any fee or tax increase by any local government?

No.

3. Personal Responsibility:

- a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

N/A

- b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

No.

4. Individual Freedom:

- a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

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

- b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

No.

5. Family Empowerment:

a. If the bill purports to provide services to families or children:

(1) Who evaluates the family's needs?

N/A

(2) Who makes the decisions?

N/A

(3) Are private alternatives permitted?

N/A

(4) Are families required to participate in a program?

N/A

(5) Are families penalized for not participating in a program?

N/A

b. Does the bill directly affect the legal rights and obligations between family members?

N/A

c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

(1) parents and guardians?

N/A

(2) service providers?

N/A

(3) government employees/agencies?

N/A

D. STATUTE(S) AFFECTED:

None.

E. SECTION-BY-SECTION RESEARCH:

**Section 1:** Creates provisions that allow a partial abatement of ad valorem taxes for residential property destroyed or damaged by a tornado; provides a July 1, 1999, expiration date.

**Section 2:** Provides that this bill takes effect upon becoming law.

III. FISCAL RESEARCH & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

None, unless there is a General Revenue appropriations to recompense the lost tax revenues due to the tax abatement.

2. Recurring Effects:

None, unless there is a General Revenue appropriations to recompense the lost tax revenues due to the tax abatement.

3. Long Run Effects Other Than Normal Growth:

None, unless there is a General Revenue appropriations to recompense the lost tax revenues due to the tax abatement.

4. Total Revenues and Expenditures:

None, unless there is a General Revenue appropriations to recompense the lost tax revenues due to the tax abatement.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

None.

2. Recurring Effects:

None.

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:

Property owners may seek temporary ad valorem tax relief in the wake of crippling destruction and damage to their residential structures caused by recent tornados.

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

The bill may stimulate the construction industry economy by encouraging more tornado-hit property owners to make repairs before the provisions of this bill expires.

D. FISCAL COMMENTS:

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. Perhaps these taxing authorities (including counties, cities, school boards, and special district) would either have to cut their budgets or increase property taxes in the following fiscal year to cover their financial losses.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

Under the bill, counties are responsible for the cost of processing applications for an ad valorem tax abatement relating to residential property damaged by tornados. However, the cost of such processing is likely to be insignificant or less than \$1.4 million. As such, counties and cities are exempt from the provisions of Article VII, section 18, of the Florida Constitution.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

Article VII, section 18, subsection (b), of the Florida Constitution, requires two-thirds vote of the membership of each house in order to enact a general law reducing the authority that counties and cities 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.

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

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

V. **COMMENTS:**

None.

VI. **AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:**

The sponsor of the bill is offering an amendment that clarifies that the bill's provisions must apply to ad valorem taxes levied in 1998.

VII. **SIGNATURES:**

COMMITTEE ON COMMUNITY AFFAIRS:

Prepared by:

Legislative Research Director:

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