

STORAGE NAME: h0897a.cu

DATE: April 1, 1997

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
COLLEGES AND UNIVERSITIES
BILL ANALYSIS & ECONOMIC IMPACT STATEMENT**

BILL #: HB 897

RELATING TO: Taxation/Exemption/Dental Education

SPONSOR(S): Representative Barreiro

STATUTE(S) AFFECTED: Section 196.012, Florida Statutes

COMPANION BILL(S): Identical SB 1170 and Compare HB 1723

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

- (1) COLLEGES AND UNIVERSITIES YEAS 7 NAYS 3
- (2) FINANCE AND TAXATION
- (3)
- (4)
- (5)

I. SUMMARY:

The bill expands the definition of "educational institution" as it relates to property tax exemptions to include nonprofit private schools principally conducting classes accepted for continuing postgraduate dental education credit by the Division of Medical Quality Assurance, thereby exempting such institutions from ad valorem taxation.

II. SUBSTANTIVE ANALYSIS:

A. PRESENT SITUATION:

Section 196.198, F.S., exempts educational institutions and their property used exclusively for educational purposes from property tax.

Section 196.012, F.S., defines "educational institution" as any federal, state, parochial, church, or private school, college, or university conducting regular classes and courses of study required for eligibility to certification by, accreditation to, or membership in the State Department of Education of Florida, Southern Association of Colleges and Schools, or the Florida Council of Independent Schools; educational direct-support organizations; and, facilities located on the property of eligible entities which will be owned by those entities on a date certain.

Chapter 194, F.S., provides a process for taxpayers to challenge ad valorem assessments. Each county has a value adjustment board whose duty is to review and decide upon petitions by taxpayers challenging their assessment. The county property appraiser may appeal the decision of the value adjustment board to the appropriate county circuit court if he or she disagrees with such decision.

Chapter 196, F.S., provides exemptions from property taxation. Section 196.192, F.S., provides that all property owned by an exempt entity and used exclusively for exempt purposes shall be totally exempt. Additionally, all property owned by an exempt entity and used predominantly for exempt purposes shall be exempt from ad valorem taxation to the extent of the ratio that such predominant use relates to the nonexempt use. "Exempt use of property" or "use of property for exempt purposes" is defined in s. 196.012, F.S., to mean predominant or exclusive use of property owned by an exempt entity for educational, literary, scientific, religious, charitable, or governmental purposes.

Section 196.195, F.S., provides some guidelines for the determination of whether an applicant for a religious, literary, scientific, or charitable exemption is a nonprofit or profit making venture. The guidelines include, but are not limited to, the reasonableness of advances or payment of salary to persons who have direct or indirect control of the entity; the reasonableness of any contractual arrangement between the entity and parties who have direct or indirect control of the entity; and, the reasonableness of charges made for services by the entity.

Section 196.196, F.S., provides criteria for determining whether property is entitled to charitable, religious, scientific, or literary exemption. The criteria include the nature and extent of the activity and the extent to which the property has been made available to groups who perform exempt purposes at a charge that is equal to or less than the cost of providing the facilities for their use. It provides that only property which is used predominantly for an exempt purpose is to be exempt. Further, it provides that profit making purposes are not exempt.

B. EFFECT OF PROPOSED CHANGES:

The bill expands the definition of "educational institution" as it relates to property tax exemptions to include nonprofit private schools principally conducting classes accepted for continuing postgraduate dental education credit by the Division of Medical Quality Assurance, thereby exempting such institutions from ad valorem taxation.

The Board of Dentistry of the Division of Medical Quality Assurance states that the L. D. Pankey Institute in Key Biscayne, Florida, is the only organization in Florida that is a postgraduate dental institution affected by this bill. Therefore, it will be exempt from ad valorem taxation by statute.

According to the executive director of the L. D. Pankey Institute and the Dade County Tax Collector's Office, the Institute has been granted an educational exemption from property taxes since 1992. This has required special appeal to the value adjustment board by the Institute each year. This bill grants this exemption by statute.

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?

No.

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

No.

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

NOT APPLICABLE

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

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

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

2. Lower Taxes:

a. Does the bill increase anyone's taxes?

SEE II.C.2.c. BELOW

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

SEE II.C.2.c. BELOW

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

The bill provides for a new exemption from ad valorem taxation. Such exemptions result in reductions in taxes in jurisdictions which are at the maximum tax rate.

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

No.

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?

No.

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?

No.

- 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:

NOT APPLICABLE

(1) Who evaluates the family's needs?

(2) Who makes the decisions?

(3) Are private alternatives permitted?

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

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

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

No.

- 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:

NOT APPLICABLE

(1) parents and guardians?

(2) service providers?

(3) government employees/agencies?

D. SECTION-BY-SECTION ANALYSIS:

This section need be completed only in the discretion of the Committee.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

None.

2. Recurring Effects:

None.

3. Long Run Effects Other Than Normal Growth:

None.

4. Total Revenues and Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

None.

2. Recurring Effects:

Expanding the definition of "educational institution" is expected to result in a decrease in taxable value in Dade County of less than \$3 million and a decrease in tax of an estimated \$62,000.

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:

The L.D. Pankey Institute will benefit from the grant of the tax exemption and from reduced legal costs.

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

None.

D. FISCAL COMMENTS:

Paragraph 212.08(7)(o)2.d., F.S., relating to sales tax exemptions provides a definition of "education institution" similar to that for property taxes. The definition currently includes nonprofit private schools which conduct regular classes and courses of study accepted for continuing education credit by a Board of the Division of Medical Quality Assurance of the Department of Business and Professional Regulation or which conduct regular classes and courses of study accepted for continuing education credit by the American Medical Association. Therefore, the L.D. Pankey Institute is exempt from sales tax under the definition in s. 212.08, F.S.

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 the City of Key Biscayne and Dade County to impose taxes on the L.D. Pankey Institute. The impact of this provision is expected to be a negative (\$62,000).

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.

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V. COMMENTS:

House Bill 307 and Senate Bill 552 filed during the 1996 Legislative Session contained a similar provision for the expansion of the definition of "educational institution."

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

VII. SIGNATURES:

COMMITTEE ON COLLEGES AND UNIVERSITIES:

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