STORAGE NAME: h0827.ft
DATE: February 17, 1999

HOUSE OF REPRESENTATIVES
COMMITTEE ON
FINANCE AND TAXATION
ANALYSIS

BILL #: HB 0827 (PCB FT 99-02)

RELATING TO: Homestead Exemption

SPONSOR(S): Committee on Finance and Taxation and Representative Albright

COMPANION BILL(S): HB 291 (C), SB184 (C), SB 384 (C)

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:
(1) FINANCE AND TAXATION YEAS 16 NAYS 0
(2)
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(5)

I. SUMMARY:

This bill implements the provisions of Article VII, Section 6, subsection (f) of the Florida Constitution. This subsection was enacted as Constitutional Amendment 3 by the electorate in November of 1998.

The bill authorizes counties and municipalities to grant an additional homestead tax exemption of up to $25,000 to resident homeowners who are at least 65 years of age and whose household income does not exceed $20,000 with respect to their individual levies.

This bill will have an insignificant fiscal impact upon the Department of Revenue. However, it will have an indeterminate negative fiscal impact on those local governments that choose to grant the additional exemption.

II. SUBSTANTIVE ANALYSIS:

A. PRESENT SITUATION:

Article VII, Section 4 of the Florida Constitution requires that all property be assessed at just value for ad valorem tax purposes. Just value has been interpreted to mean fair market value. Agricultural land, land producing high water recharge to Florida's aquifers, and land used exclusively for non-commercial recreational purposes are exceptions that may be assessed solely on the basis of their character or use. Tangible personal property held for sale as stock in trade and livestock may be assessed at a specified percentage of its value or totally exempted. In addition, effective January 1, 1994, subsection (c) of Article VII, Section 4, provided a limitation on the extent that assessments for homesteads may be changed annually on January 1 of each year. Changes in assessment may not exceed the lower of 3 percent of the assessment for the prior year or the percent change in the Consumer Price Index.

Article VII, Section 6 of the Florida Constitution authorizes an exemption from ad valorem taxation for homestead property used by taxpayers as their permanent residence. Subsection (a) provides a basic $5,000 exemption to all qualified homeowners. Subsection (b) prohibits the granting of more than one exemption to any one person or the granting of an exemption that is in excess of the total assessed value of the property. Subsection (c) increases the exemption to $25,000 for school district levies for all qualified homestead owners and to $10,000 for all other ad valorem tax levies if the homestead owner has attained age 65. Subsection (d) increases the exemption to $25,000 for non-school district levies. This subsection further provides that the increase is not applicable upon the effective date of any amendment to Article VII, Section 4 of the Florida Constitution that would authorize the assessment of homestead property at a specified percentage of its just value. A third provision of subsection (d) disallows the increased exemption in counties in which the tax roll has not been certified as in compliance with Article VII, Section 4 of the Florida Constitution. Subsection (e) authorizes the Legislature to give ad valorem tax relief to renters.

In November of 1998 subsection (f) was added to Article VII, Section 6 of the Florida Constitution. This subsection authorizes the legislature to permit counties and municipalities, with respect to their tax levies, to grant an additional homestead exemption of up to $25,000 to resident homeowners who are at least 65 years of age and whose household income does not exceed $20,000.

B. EFFECT OF PROPOSED CHANGES:

This bill would authorize counties and municipalities, with respect to their tax levies, to grant an additional homestead exemption of up to $25,000 to resident homeowners who are at least 65 years of age and whose household income does not exceed $20,000. The bill provides for an annual adjustment of the income limitation based upon changes in the cost of living.

In addition, the bill requires that certain information be provided in any ordinance granting this additional homestead exemption, and provides guidance regarding the application for the additional exemption.

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?

Yes. The Department of Revenue is granted rulemaking authority to enact rules and create forms in order to implement this bill.

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

In those counties and municipalities where this additional exemption is granted by local ordinance, the local property appraiser will incur new and additional responsibilities. The property appraiser will be responsible for receiving applications for the new exemption, evaluating the applications and their supporting documentation, informing citizens if their application was accepted or rejected, and applying the exemption to the tax roll.

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

N/A

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?

If a local government implements this additional homestead exemption and needs to keep their revenues constant, the effect will be to shift the tax burden to other taxpayers who are not eligible for this exemption.

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

N/A

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

If implemented by a local government, an additional homestead exemption of up to $25,000 would be granted to real property owners who are 65 years or older and who have a household income of less than $20,000.

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?

N/A

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?

N/A

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

N/A

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:

This bill would create Section 196.075, Florida Statutes.

E. SECTION-BY-SECTION ANALYSIS:

Section 1 of this bill creates Section 196.075, Florida Statutes.

Subsection 1 provides definitions of the terms “household’ and “household income”

Subsection 2 provides the authority for a board of county commissioners or the governing authority of any municipality to grant an additional homestead exemption of up to $25,000 to persons age 65 and older with a household income under $20,000.

Subsection 3 provides for cost-of-living adjustments to the household income limitation.

Subsection 4 provides requirements for the ordinance granting the exemption. Included are the requirements that the exemption must be uniform in all dependant special district or municipal service taxing units and that the exemption will only apply to taxes levied by the body granting the exemption. Additionally, this subsection requires that the ordinance specify that any person wishing to claim this additional homestead exemption must file a sworn statement of household income with the property appraiser by March 1.

Subsection 5 provides that the Department of Revenue shall require that documentation evidencing the household income be provided to the property appraiser by June 1.

Subsection 6 requires the granting authority to notify the property appraiser by December 1 of the year prior to the year in which the exemption or a change ot the exemption will take effect.

Subsection 7 states that this exemption is in addition to the $25,000 homestead exemption provided for in s. 196.031, F.S.

Subsection 8 provides that if the title is held jointly with right of survivorship, the person residing on the property may enjoy the full benefit of this exemption.

Section 2 of the bill provides an effective date of July 1, 1999.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

   Insignificant costs would be incurred by the Department of Revenue in developing and implementing new rules and creating new forms which would be required by this bill.

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:

   Indeterminate.

2. Recurring Effects:

   If the additional homestead exemption is implemented by local ordinance, it will have an impact on participating counties and municipalities. To the extent that a county or municipality passes an ordinance to grant the additional exemption and is not levying the maximum millage allowed by the tax cap, this bill would reduce the tax base and may result in a tax shift to taxpayers who would not be entitled to the additional exemption. If the county or municipality that passes an ordinance to grant the additional exemption has already reached the millage tax cap, the local government would experience a reduction in revenue.

   According to a 1998 Revenue Estimating Conference, the maximum possible revenue losses for local governments for fiscal year 2001-02 would be $102.4 million.

   This estimate is for information purposes only and is based on the following assumptions:

   * The full $25,000 is adopted by all cities and counties.
   * The percent of homeowners meeting the age requirement of this amendment will be the same as the percent of senior to regular exemptions from the 1979 roll, i.e. 26.1 percent.
   * Of those homeowners, the percent meeting the $20,000 threshold of income will be the percent of households with a member 65 and up where household

income is $20,000 or less from the 1990 Census, after adjusting the income to reflect inflation.

3. Long Run Effects Other Than Normal Growth:

   Indeterminate.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

   If millage rates are raised in certain areas by local taxing authorities to compensate for the decreasing tax base resulting from this resolution, the tax burden would be shifted from those owning homes who are 65 and older and meet the income requirement, to other owners of homes and to other types of property.

2. Direct Private Sector Benefits:

   Elderly homeowners whose annual income is less than $20,000, and who reside in a locality where the increased exemption is adopted will benefit from reduced ad valorem taxes.

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

   N/A

D. FISCAL COMMENTS:

   N/A

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

A. APPLICABILITY OF THE MANDATES PROVISION:

   Because this bill requires that the local government pass a resolution granting the additional homestead exemption with respect to their ad valorem tax levy, there is no mandate.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

   In those counties and municipalities where the local government chooses to implement this additional homestead exemption, local revenue raising ability will be reduced. However, the local governments will retain the ability to discontinue granting the additional homestead exemption and restore the lost revenue raising authority.

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

N/A

V. COMMENTS:

N/A

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

N/A

VII. SIGNATURES:

COMMITTEE ON FINANCE AND TAXATION:

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