

**STORAGE NAME:** h2197.ei

**DATE:** March 15, 2000

**HOUSE OF REPRESENTATIVES  
COMMITTEE ON  
EDUCATION INNOVATION  
ANALYSIS**

**BILL #:** HB 2197 (PCB EI 00-08)

**RELATING TO:** Ad Valorem Tax exemption for Charter Schools

**SPONSOR(S):** Committee on Education Innovation and Representative Melvin

**TIED BILL(S):** none

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

(1) EDUCATION INNOVATION

(2)

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I. SUMMARY:

HB 2197 provides:

- An ad valorem tax exemption for facilities used for charter schools.
- A pro rata tax cancellation for charter schools that have a partial years tax.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- |                                   |   |                             |   |
|-----------------------------------|---|-----------------------------|---|
| 1. <u>Less Government</u>         | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/>            |
| 2. <u>Lower Taxes</u>             | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/>            |
| 3. <u>Individual Freedom</u>      | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/>            |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/>            | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u>      | Yes <input type="checkbox"/>            | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a "no" above, please explain:

B. PRESENT SITUATION:

**Ad Valorem Exemption**

Schools are exempt from ad valorem taxes, pursuant to s. 196.192(1), F.S.;" All property *owned* by any exempt entity and *used* exclusively for exempt purposes shall be totally exempt from ad valorem taxes." An exempt purpose includes an educational purpose, pursuant to s. 196.012(1), F.S.; " 'Exempt use of property' or 'use of property for exempt purposes' means predominant or exclusive use of property owned by an exempt entity for *educational*, literary, scientific, religious, charitable, or governmental purposes." Educational institutions include state and private schools. Charter schools are public schools. Private facilities used for a public charter school (such as school-in-workplace) are exempt from ad valorem taxes, while traditional charter schools that are leasing facilities do not receive the exemption.

**Pro Rata Cancellation**

Taxable status is determined as of January 1st. If on January 1st, an institution meets the definition of educational institution, the institution must apply for an exception by March 1st. If an institution dose not apply by March 1st, the taxable status as an educational institution is waived. Exceptions to the waivers are counties, school boards, and community college district boards, pursuant to s. 196.29, F.S. Those entities may request an exemption after the March 1st deadline and receive a pro rata cancellation of that year's taxes.

C. EFFECT OF PROPOSED CHANGES:

**Ad Valorem Exemption**

HB 2197 provides an exemption from ad valorem taxes for facilities *used* to house charter schools if the charter has been approved by the sponsor and the governing board according to the charter school law. Charter schools can receive the benefit of ad valorem tax relief for those facilities they lease. The landlord is required to certify by affidavit that the lease value will be reduced to the extent of the exemption received. The property owner must disclose to the charter school the full amount of the benefits, and, as a result, the full

benefit from the exemption must go to the charter school though a credit to the lease payment.

**Pro Rata Cancellation**

The bill adds the charter school governing board to the list of entities (counties, school boards, and community college district boards) in s. 196.29, F.S., that receive a pro rata property tax cancellation for property acquired by charter schools. A charter school may request a tax cancellation after March 1st deadline. This will enable them to receive a tax cancellation for the portion of the year without waiting until the following January 1st to qualify for the exemption.

**D. SECTION-BY-SECTION ANALYSIS:**

**Section 1.** Creates s. 196.1983, F.S., providing an exemption from ad valorem taxes for facilities used to house charter schools.

**Section 2.** Amends s. 196.29, F.S., providing a pro rata tax cancellation for property acquired by charter school governing boards.

**Section 3.** Amends s. 228.056, F.S., providing notice of certain tax exemptions.

**Section 4.** Provides an effective date of July 1, 2000.

**III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:**

**A. FISCAL IMPACT ON STATE GOVERNMENT:**

1. Revenues:

N/A

2. Expenditures:

N/A

**B. FISCAL IMPACT ON LOCAL GOVERNMENTS:**

1. Revenues:

The fiscal impact of the charter school exemption from ad valorem taxes is unknown at the time. However, there are approximately 110 charter schools in the state. Those that own facilities are already exempt. It is unknown how many of the schools lease facilities.

The pro rata cancellation of the real property taxes will not impact the schools when their taxable status was determined as off January 1, 2000, and they applied by the March deadline. It will impact newly created charter schools which will owe taxes for partial year. The number of schools which will newly created is unknown.

Both issues are being sent to the revenue estimating conference.

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2. Expenditures:

N/A

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

N/A

D. FISCAL COMMENTS:

N/A

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

A. APPLICABILITY OF THE MANDATES PROVISION:

N/A

B. REDUCTION OF REVENUE RAISING AUTHORITY:

The ad valorem tax exempts and pro rata cancellation provisions will reduce the local government's revenue raising authority. The amount of the reduction is unknown at this time.

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

N/A

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

N/A

B. RULE-MAKING AUTHORITY:

N/A

C. OTHER COMMENTS:

The bill will require a two-thirds vote by each house of the Legislature because it reduces the authority of local governments to raise revenues.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

N/A

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VII. SIGNATURES:

COMMITTEE ON EDUCATION INNOVATION:

Prepared by:

Staff Director:

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